



## Arkansas Public Employees' Retirement System

Quarterly Board Meeting

Wednesday, February 21, 2024, 9:00 A.M.

124 West Capitol Avenue, Suite 400, Little Rock 72201

*The meeting will be held in the APERS conference room located on the 4<sup>th</sup> floor. The meeting will be a hybrid and can be attended via Zoom via the link on our website, [www.apers.org](http://www.apers.org).*

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### AGENDA

1. Call to Order
2. Recognition of the Presence of a Quorum
3. Notification of Meeting to News Media Pursuant to Act 93 of 1967 (A.C.A. § 25-19-101) – Freedom of Information Act
4. **Action Item:** Approval of the Minutes for the November 15, 2023, Board Meeting and the February 12, 2024, Investment Finance Subcommittee **(Page 3)**
5. **Investments** – Mr. Carlos Borrromeo, Deputy Director of Investments and Finance
  - a. CIO Report **(Page 11)**
  - b. Ms. Brienne Weymouth and Mr. John Jackson, Callen - Quarterly Report for the Period Ending December 31, 2023 **(Page 19)**
  - c. Mr. Larry Middleton and Mr. Bo Brister, Stephens, Inc. - Quarterly Report for the Period Ending December 31, 2023 **(Page 42)**
  - d. Investment Finance Subcommittee Report – Secretary Daryl Bassett, Chair **(Page 51)**  
**Action Item:** Subcommittee Recommendations
6. **Finance** – Mr. Jason Willett, Chief Financial Officer
  - a. Financial Statements for the Quarter Ending December 31, 2023 **(Page 54)**
7. **Assurance Officer, Ms. Patty Shipp**
  - a. Controlled Self Assessment **(Page 56)**
8. **Legal** – Mr. Richmond Giles, APERS Staff Attorney
  - a. Litigation Update **(Page 57)**
9. **Benefits** – Ms. Allison Woods, Deputy Director of Benefits
  - a. Benefits Summary for the Quarter Ending December 31, 2023 **(Page 58)**

10. **Executive Report** – Ms. Amy Fecher, Executive Director

- a. Executive Report Review (**Page 62**)
- b. Class Action Report (**Page 64**)
- c. **Action Item**: Annual Approval for Board Travel Reimbursement (A.C.A. 25-16-902) (**Page 70**)

11. Other Business

12. Upcoming Meetings

- a. Next Quarterly Board Meeting – Wednesday, May 15, 2024, at 9:00 a.m.

13. Adjournment

**Quarterly Meeting  
Arkansas Public Employees' Retirement System  
Board of Trustees  
November 15, 2023**

A regular meeting of the Board of Trustees of the Arkansas Public Employees' Retirement System was held on Wednesday, November 15, 2023, at 9:00 a.m. This hybrid meeting was held via ZOOM remote conferencing as well as in person in the conference room, 124 West Capitol, Little Rock, Arkansas. Ms. Candace Franks presided.

**Quorum Present**

Ms. Candace Franks recognized the presence of a quorum and called the meeting to order.

**Board Members Present:**

Ms. Candace Franks, (State Employee, Retired). Chair, Little Rock, AR  
Mr. Jim Hudson (Secretary of the Department of Finance and Administration), Little Rock, AR (Mr. Andy Babbitt Proxy for portion of the meeting)  
Hon. Larry Walther, (State Treasurer), Little Rock, AR (Eric Munson Proxy for a portion of the meeting)  
Judge Barry Moehring (Non-State Employee, County Judge), Bentonville, AR  
Mr. Richard Wilson (Retired), Little Rock, AR\*  
Mr. Gary Carnahan (Non-State Employee), Hot Springs, AR  
Mr. Joe Hurst (Non-State Employee, Mayor), Van Buren, AR\*  
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR  
Mr. Russell White (Retired Law Enforcement), Alma, AR\*  
Mr. Jason Brady, (State Auditor's Office) proxy  
Ms. Kay Donham, (Retired), Benton, AR\*  
Mr. Daryl Bassett (State Employee), Sherwood, AR  
Mr. Dale Douthit, (State Employee), Russellville, AR\*

**Visitors:**

Mr. Mike Wickline, Arkansas Democrat-Gazette  
Mr. Eric Munson, State Treasurer's Office  
Mr. Andy Babbitt, Department of Finance and Administration  
Mr. Mita Drazilov, GRS  
Ms. Heidi Barry, GRS  
John Jackson, Callan LLC  
Brienne Weymouth, Callan LLC  
Michael Knapp, Arkansas Legislative Audit  
Mark White, ATRS\*  
Melissa Cahill, Harbour Vest\*  
Lauren Albanese, Financial Investment News\*  
John Kevin Balaod, With Intelligence\*  
Tanya Shelley, DOC\*  
Douglas Appell, Pensions & Investments newspaper\*  
Harrison Bader, BlackRock\*  
Bela Kirpalani, Financial Times\*  
Cameron Luther, BlackRock\*

Darren Millard, With Intelligence\*  
Anushka Joshi, TDAM\*

**APERS Staff:**

Ms. Amy Fecher, APERS Executive Director  
Ms. Allison Woods, Deputy Director of Benefits  
Mr. Richmond Giles, Staff Attorney  
Ms. Patty Shipp, Assurance Officer  
Mr. Carlos Borromeo, Deputy Director of Investments & Finance  
Ms. Usha Doolabh, Investments Manager\*  
Ms. Jennifer Taylor, Director of Benefits Administration  
Ms. Cheryl Wilburn, Benefits Operations Manager\*  
Mr. Jason Willett, Chief Financial Officer  
Mr. Phillip Norton, Director of IT  
Mr. Daryl Bussell, IT\*  
Ms. Kristi Brown, Retirement Coordinator\*  
Ms. Monetteria Mull, Retirement Coordinator\*  
Ms. Stephanie Blair, Public Affairs Manager\*  
Ms. Shelly George, Employer Services Manager\*  
Ms. Jacobia Bates, Director of Public Affairs  
Ms. Ashley Golleher, Deputy Director of Operations  
Ms. Phyllis Franklin, Retirement Coordinator\*  
Mr. Jon Aucoin, Digital Services\*

\*Denotes remote attendees

**News Media Notified**

An e-mail with notification of the Arkansas Public Employees' Retirement System Board meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, Television Station KLRT-FOX16, and Radio Station KAAY. This notification is pursuant to A.C.A. §25-19-101 (Act 93 of 1967), as amended, *a.k.a.* the Arkansas Freedom of Information Act.

**Minutes**

Prior to the Board meeting, a copy of the minutes from the September 27<sup>th</sup> Board Meeting, the November 1<sup>st</sup> Member Appeals Subcommittee, and the November 7<sup>th</sup> Investments and Finance Subcommittee meetings were e-mailed to each APERS Board member for review. Judge Moehring made a motion to approve the minutes as they were presented. Mr. Hudson seconded the motion. With no objection, the motion passed.

**Subcommittee Reports:**

Judge Barry Moehring provided a Member Appeals Subcommittee Report. Secretary Daryl Bassett provided the Investments and Finance Subcommittee Report. Sec. Bassett requested APERS staff print and share a written copy of his IFC chair report and requested Mr. Borromeo provide added detail on the Large Cap Growth Manager search process and selection of William Blair. He reviewed the search process and referred to the board materials showing the process and data considered in response to the APERS board request for transparency on the search and consideration process. Sec. Hudson stated that he was supportive of William Blair after reviewing the robust search process documentation.

Mr. Borromeo provided information on Harrison Street Fund IX which is focused on UA student housing, storage, etc. Sec. Bassett stated that this investment was supported by the Investment Finance Subcommittee (IFS).

Mr. Borromeo shared that the current Investment Policy Statement had not been updated since 1985. The proposed changes to the Investment Policy Statement included suggested changes by Mr. Jason Brady. Mr. Bassett stated that this is a living document but allows flexibility on the 7.00% assumed rate of return, and proposed changes to sections 1, 2, 3, and 5 are appropriate. Mr. Hudson made a motion to accept the IFC subcommittee recommendations, and Mr. Wallace seconded the motion. With no objection, the motion carried.

## **Investments**

### **CIO Report**

Mr. Borromeo shared his CIO Report with the board. He stated that the tone from June 2023 continued into the 3<sup>rd</sup> quarter of 2023. The Federal Reserve remained hawkish, leaning toward raising rates. They chose not to raise rates at the September meeting but did indicate higher rates for 2023 and 2024 than what was indicated in their June forecast. For September: The S&P fell -4.51%, and the Bloomberg Agg fell -2.49%. For the first time in a while, the U.S. Treasury bill outperformed the Agg. For the 3<sup>rd</sup> quarter of 2023, the S&P 500 fell -3.27% which makes the year-to-date return +13.06%. All equity indices posted a loss during the quarter. For the 3<sup>rd</sup> quarter, the Mag 7 fell -3.82% led by Apple which has been targeted by China. For the quarter, the theme was that value outperformed growth, but only by losing less. For the year, growth continues to lead value.

International equities followed the same theme – everything is down. Most notable is the emerging market sector that includes China dealing with a severe real estate situation. Real estate represents about 75% of household wealth in China and there was a \$49 Billion outflow for the quarter in August. Because they are the largest trade partner to the US this is something to keep an eye on.

For the quarter, our total fund was down -3.47% and the valuation of the portfolio for the quarter was \$10.249 Billion.

### **Callan Report**

Mr. Jackson provided more information on Mr. Borromeo's third quarter report. He stated that most asset classes were negative territory and risk sentiment had declined. Consumer spending was up 4%. We also saw that the 10-year Treasury rose 5% before falling again. The fixed income market year to date is at -8%. Real estate is continuing to experience a write-down due to higher interest rates.

Mr. Jackson discussed the EAFE index being down 8.6%. Discussion ensued on the plan is moving forward on EAFE and global equity regarding significant declines. Mr. Jackson explained that our Goal is not to bail on growth but when we see that markets have a turn and are cutting rates, respond with a level re-set on the growth side of the equation. Mr. Borromeo stated that the board responded middle of last year and approved a severe reduction in international equities.

Ms. Weymouth reviewed APERS' portfolio with changes made to asset allocation (domestic, international, private equity). She explained actual and interim target asset allocation which will assist in measuring performance and will shift through time as we move from international equity to domestic equity. She stated that we are close to the target for the quarter.

There were some concerns over using inflation over 4% benchmarks for real assets. For the quarter, managers underperformed the NCREIF Index slightly due to equity exposure and some underperformance versus the hard assets for the quarter. Ms. Weymouth reviewed the total fund versus the policy target and rankings versus peers for the quarter, the fund was down ¾% versus the policy target which was down 2.5%. She referenced Bailey Gifford's performance issue. Sec. Bassett asked how long we should stay with this manager, and if they are aware of our concern. Mr. Borromeo confirmed they are aware. Mr. Carnahan asked how much is invested with Bailey Gifford and Mr. Borromeo stated it was around \$408M.

#### Fixed Income Structure

Mr. Borromeo stated that he would take a deeper look at MacKay, PGIM, and DoubleLine. They are all core plus managers and benchmarked off the Barclays aggregate index. He stated he would model in January a new fixed-income structure proposal. Ms. Weymouth explained the process of evaluating and proposing asset classes to design an optimal portfolio. She shared the tenets of ensuring a sound allocation for the board. The proposed structure will be reviewed in February 2024.

#### Finance

Mita Drazilov shared the purpose of the presentation and board action items to be considered. The purpose of June 30, 2023, actuarial valuation is twofold: To determine the employer contribution rate for the 12 months beginning July 1, 2025, AND to determine the financial position of APERS as of June 30, 2023. The board actions required are to confirm the employer contribution rate for APERS of 15.32% of payroll preliminarily adopted (minimum) at the September 2023 meeting, approve the computed employer contributions for District Judges that are to apply beginning July 1, 2025, and approve the reserve transfers from the Employer Accumulation Account to the Retirement Reserve Account and the Deferred Annuity Account.

Mr. Drazilov shared the participant data for APERS annual actuarial variations. As of June 30, 2023, the system has 43,352 active members, an average payroll of \$48,724 payroll, and an 8.2% increase in payroll for active members. The increase in active payroll is significant compared to past years. If the pay of members increases at a higher rate than our assumptions, that results in a loss. Payroll increased roughly \$200 million from 2022 to 2023.

Judge Moehring stated that he believes we should see the increases in payroll slow down over the next few years because of various reasons and due to no longer having COVID funds. Mr. Drazilov indicated that payroll is expected to grow at a rate of 3.25% year over year. He stated that he anticipates the payroll rate to slow due to the slowing of inflation. Mr. Brady asked if we anticipated fewer active members to retirees and what impact this might have on the system. Mr. Drazilov said that almost half of the current payroll is to finance the UAAL and if we had a significant market decline and you had to add an additional billion dollars (10% asset loss), that would be a 3% market rate of return. The board acted appropriately by changing benefit rates a few years ago to protect the system, but the liabilities should stay at the top of the board's mind as decisions are made.

Mr. Drazilov shared that for actuarial valuation purposes, we incorporate the market value of assets – the value of assets in the fund, but we try to smooth out the fluctuations over four years. The difference between the funding value and the market value of assets is a \$375 million difference and that is higher than APERS market debt. A small positive investment gain of \$54 million is expected this year, but the year after there is an expected loss of \$450 million. He stated that it is important for the board to have all data

to consider over time to not react too far one way or the other on items like employer contribution rates. It is very wise for the board to focus on the funding value of assets/funding ratio as they make decisions.

By statute, the board must make reserve transfers so that there will be a balance between assets and actuarial accrued liabilities in the Retirement Reserve Account and the Deferred Annuity Account. The Retirement Reserve Account is responsible for future annuity payments to present retired lives. The Deferred Annuity Account is responsible for future annuity payments to inactive members. The year's recommended transfer amounts are \$427.8 million (Retirement Reserve Account) and \$56.1 million (Deferred Annuity Account). These transfers do not impact any of the results already shared, it is just required by statute.

Mr. Bassett asked if the board needs to take any action now regarding the financial position. Mr. Drazilov said not now but may in the next few years if there are future market declines. However, if the system earns 7% per year or more, then no action will be needed. We are at the mercy of the markets. Mr. Drazilov said that the employer contribution rates are prudent at this time. Investment returns last year drained assets of the system. In a normal environment, investments should make up 2/3 of system income. Judge Moehring asked about benefits as a percentage of payroll. Mr. Drazilov explained that we are on track at this point.

Ms. Heidi Barry discussed the District Judges Retirement System (DJRS) which consists of two plans and is now closed to new hires. The old plan has 29 employers that have individual contributions on their own UAAL. Once that is paid off, they go into the new plan with one contribution rate. For July 1, 2025, the actuarial variation determines the old and new plan contributions. There are 11 remaining active members in the new plan. The new plan and paid-off plans had actuarial accrued liabilities of \$30.2 million and funding values of assets of \$26.4 million with a funding ratio of 87%. The old plan UAAL is \$6.8 million with a funding value of assets of \$2.5 million and a funded ratio of 36%. The combined funded ratio is 78%. Heidi explained the development of the computed employer contribution rates based on certain variables. The rate will be 96% which Heidi pointed out may seem very high, but she explained this is because of the very small payroll for the District Judges Division. The board discussed the allocation of costs shared by the state, counties, and cities for this plan. Mr. Hudson explained that the funds are dispersed through the Administrative Office of the Courts. A significant portion of the funding will be financed over the next four years. Director Fecher and Ms. Woods shared that APERS shares notification with the employers impacted. Mr. Bassett made a motion to approve the 96.9% employer contribution rates for the district judges in addition to the \$527,995. Judge Moehring seconded the motion. Mr. Brady made a motion to confirm the employer contribution rate for APERS of 15.32% of payroll preliminarily adopted at the September 2023 meeting. Mr. Hudson seconded the motion. With no objection, the motion carried. Mr. Brady made a motion to approve the reserve transfers from the Employer Accumulation Account to the Retirement Reserve Account and the Deferred Annuity Account. He was seconded by Mr. Hudson. With no objection the motion carried. Mr. Carnahan and Judge Moehring requested specific information on the counties impacted and Mr. Hudson requested APERS staff email specific information presented by GRS as it pertains to contribution rates.

#### **Statement of Net Fiduciary Position and Changes**

Mr. Jason Willett presented the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position as of September 30, 2023. APERS net position for pension benefits is \$9,874,436,526 at the end of the quarter. He stated that investments are driving this statement. The board asked how much in investments are needed each month to cover payroll, and Mr. Borromeo answered around \$35-40 million.

**Executive Director Report**

Director Fecher reviewed the class action report and settlement proceeds year to date. She shared that the APERS newsletter has been reformatted and will be mailed twice per year to both retirees and members. Additionally, she shared collaborative efforts with other agencies that serve retirees and members to engage in enhanced communication on retirement. She shared that APERS was featured in Arkansas Business. Director Fecher discussed a cost analysis for the APERS lease versus the purchase of a building. She brought this before the board because the current lease is up for renewal in the next year. The board discussed various ideas and aspects of building purchasing versus leasing. Mr. Brady made a motion to allow the executive director to make inquiries on building purchases and costs. Mr. Bassett seconded the motion. The motion passed unanimously.

Director Fecher stated that the board needs to nominate a vice chair because Chairman Franks is ready to hand over the gavel to current vice chairman Larry Walther. Mr. Walther nominated Daryl Bassett. Seconded by Mr. Brady. With no objection, the motion carried.

**Legal Report**

Mr. Giles shared that members have a right to appeal board decisions on member appeals. To date, no appeal has been made but the member has 30 days to appeal to the circuit court. Mr. Giles shared that rules promulgation has been completed through the Arkansas Legislative Council and the amendments and one repeal took effect on Monday, November 13, 2023. Lastly, an update on Securities Litigation in the Seagate Case was given. APERS was granted lead co-lead plaintiff status along with MSPERS.

**Benefits**

Ms. Woods explained the format of the new Benefits Summary in the board packet. She shared that the City of Pea Ridge (20 employees) elected to participate in APERS effective July 1, 2023. To follow up on the Finance discussion about ADJRS, Ms. Woods explained that ADJRS was an inherited plan that is now closed. She explained the three segments of district judges based on their dates of hire. She shared a handout with an example of how salaries are set for district judges that specify the cost split on compensation by cities and counties.

**Board Meeting Dates Approval:**

The board voted on the 2024 proposed meeting dates for 2024 which are:  
February 21, 2024    August 21, 2024  
May 15, 2024    November 20, 2024

Mr. Bassett made a motion to approve the proposed dates. Mr. Brady seconded the motion. With no objection the motion carried.

**Adjournment**

There being no further business, the meeting was adjourned.

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Ms. Candace Franks, Chair

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Ms. Amy Fecher, APERS Executive Director



**Arkansas Public Employees' Retirement System Board of Trustees**  
**Investments and Finance Sub-Committee**  
**February 12, 2024**

A meeting of the Investments and Finance Sub-Committee of the Arkansas Public Employees' Retirement System (APERS) was held on Monday, February 12, 2024, at 10:00 A.M. This hybrid meeting was held via Zoom remote conferencing as well as in person in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Mr. Daryl Bassett presided.

**Board Members Present**

Secretary Daryl Bassett, Department of Labor and Licensing (State Employee), Chair of Investments and Finance Sub-Committee  
Mr. Gary Carnahan, (Non-State Employee)\*  
Treasurer Larry Walther, (Ex-Officio), Treasurer of the State  
Mr. Gary Wallace, (Retired Law Enforcement)  
Mr. Jason Brady, (State Auditor's Office) *proxy*  
Secretary Jim Hudson, Department of Finance and Administration (Ex-Officio)  
Ms. Candace Franks, (Retired State Employee) \*

**APERS Staff Present**

Ms. Amy Fecher, Executive Director  
Ms. Allison Woods, Deputy Director of Benefits  
Mr. Carlos Borrromeo, Deputy Director of Investments & Finance  
Ms. Ashley Golleher, Deputy Director of Operations  
Ms. Jacobia Bates, Director of Public Affairs  
Mr. Phillip Norton, Director of IT  
Ms. Laura Gilson, General Counsel  
Mr. Richmond Giles, Staff Attorney  
Mr. Jason Willet, Chief Financial Officer  
Ms. Stephanie Blair, Communications Manager  
Mia Yeargin, Retirement Counselor\*  
Kristi Brown, Retirement Coordinator\*  
Brandie Jiles, Retirement Counselor\*  
\*Denotes remote attendees

**Visitors Present**

Mr. Ted Dickey, Real Estate Consultant  
Ms. Anne Laidlaw, Division of Building Authority  
Eric Munson, Office of the Treasurer  
Clifford Robison, Department of Finance and Administration\*  
Michael Opre, SSI Investment Management\*  
T. Wilson\*  
Levy Dwyer\*  
John Kevin Balaod, With Intelligence\*

### **Real Estate Options Update**

The purpose of this discussion item was to review real estate information relative to the current lease. Mr. Ted Dickey presented three real estate options to the board in comparison to the current lease. The board reviewed list prices, square footage, lease capabilities, and Investment Rate of Return on each property. The board entered a discussion and asked the APERS staff to request information on interim lease options in the current building. Mr. Jason Brady made a motion that this subcommittee direct the Executive Director to negotiate with the three options presented to the Board on their best price and follow up with the board with final numbers. Ms. Candace Franks seconded the motion, and with no objection the motion carried.

### **Request for Qualifications for Securities Litigation Firms**

Director Fecher shared that the APERS staff had followed the process to gain permission to seek outside counsel for securities litigation through Attorney General Griffin and Governor Sanders. APERS staff consulted with the Office of State Procurement and issued a Request for Qualifications (RFQ). Twenty-one securities litigation firms responded to the RFQ. An APERS staff committee reviewed the RFQ and recommended nine securities litigation law firms be awarded a contract. The subcommittee discussed the RFQ process and reasons for selection. Mr. Hudson made a motion to accept the staff recommendation to accept the nine securities litigation law firms. Seconded by Mr. Jason Brady. Without objection the motion carried.

### **Fixed Income and Domestic Equity Update**

Mr. Borromeo presented investment staff recommendations on fixed income and domestic equity. The subcommittee discussed the reasoning for adjustments within the portfolio. Ultimately, the subcommittee requested more information and education on fixed income. The subcommittee also instructed APERS investment team to follow up with MacKay Shields to ensure the maximization of opportunities in this arena. The subcommittee approved APERS investment team move forward on the domestic equity proposal. Mr. Brady made a motion on domestic equity and Jim Hudson seconded. Without objection the motion carried.

### **Drop Rate**

Each year the Board sets the interest rate which will be paid on the balances in a member's DROP account for the next fiscal year, pursuant to ACA 24-4-803. In recent years, the Board has used the 10-year U.S. Treasury Note rate as a benchmark in setting the DROP Interest rate. It is APERS Staff's recommendation that the Board set the fiscal year rate using the 1-year U.S. Treasury Bill yield as a comparison. Mr. Hudson made a motion to accept the staff's recommendation of a 3% DROP interest rate for FY25, Mr. Brady seconded the motion, and with no objection the motion carried.

# Chief Investment Officer Report

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For the Quarter Ending December 31, 2023



# Q4 2023 Summary

Investor optimism set the tone for a strong finish to 2023:

*Economic strength and a changing outlook for interest rates helped equities.*

- In October, stocks retreated on hawkish Fed stance and geopolitical concerns.
- Stocks rallied in the final two months of 2023 as inflation slowed.
- In December, the markets rallied as the FOMC took a more dovish tone and discussions of Fed interest rate cuts in 2024 continued.
- S&P 500 was able to post positive return
- Fixed Income recovered in 4Q after a poor 3Q performance.

# Q4 2023 Summary

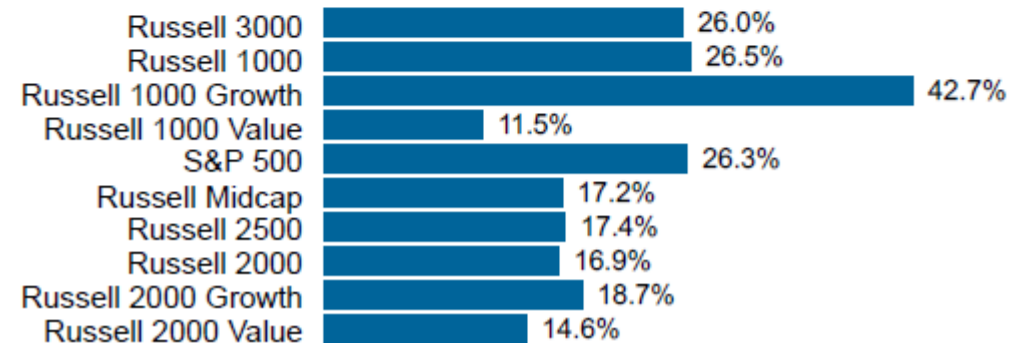
## Domestic Equities - Key takeaways

- The concentrated performance (“Magnificent 7”) started to broaden out the last 2 months of 2023.
- In 4Q23 small cap performed better than large cap.
- However, for the complete year, it wasn’t even close, large cap dominated.
- Large cap growth outperforms large cap value.

### U.S. Equity: Quarter Ended 12/31/23



### U.S. Equity: One Year Ended 12/31/23

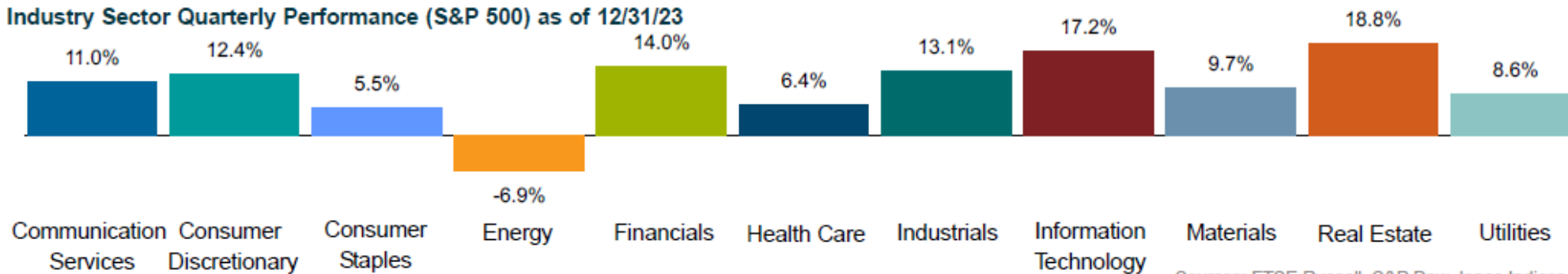


# Q4 2023 Summary

International Markets experienced a strong finish to the calendar year. International Market Insights include:

- Signs of cooling inflation got help from a reversal in oil prices which pushed the expectations that restrictive monetary policy was coming to an end. European Central Bank rate cuts?
- Conflict in Middle East did drive strength in oil prices. But economic fundamentals do not support strong oil price which prompted OPEC+ to announce further supply cuts.
- Watch China. Their mounting economic problems could impact the global economy.
- Watch upcoming earnings. Results have been mixed. US is proving to be resilient. Europe's outlook has worsened.

Industry Sector Quarterly Performance (S&P 500) as of 12/31/23

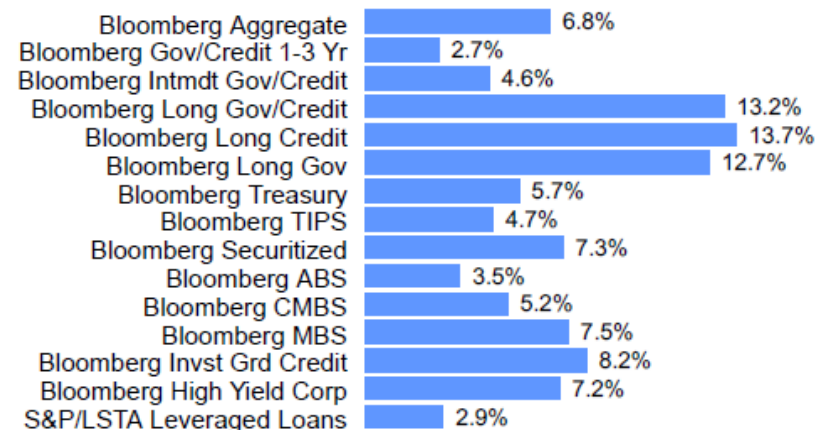


# Q4 2023 Summary

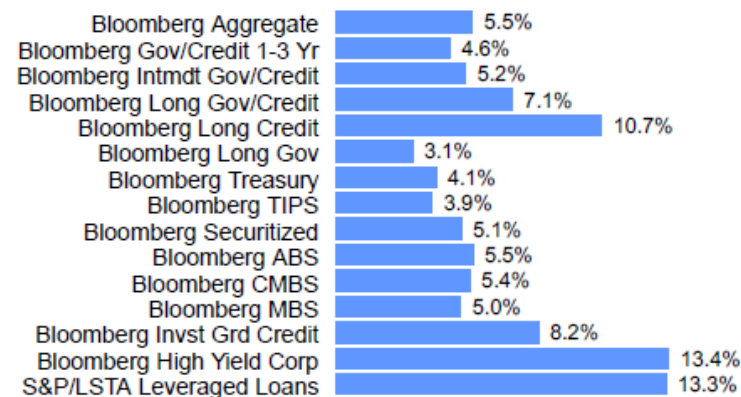
## Fixed Income

- The Fed pivot was heard around the world. Their stance pivoted from “higher for longer” to possible rate cuts in 2024.
- Inflation over the past few months is below the Fed’s target of 2.00%
- The Bloomberg Aggregate Index was +6.67% for 4Q, the highest return since 2Q of 1989.
- High Yield soared as defaults remained low.

**U.S. Fixed Income Returns: Quarter Ended 12/31/23**



**U.S. Fixed Income Returns: One Year Ended 12/31/23**



# Q4 2023 Summary

COMPOSITE									
		Calendar	Fiscal			Fiscal			
U.S. Equity	Qtr	YTD	Year		Q4 2023	Year		31-Dec-23	
S&P 500	11.69%	26.29%	8.04%	<b>Domestic Equity</b>	<b>11.87%</b>	<b>7.38%</b>	\$	4,210,095,221	39.39%
Russell 1000 Growth	14.16%	42.68%	10.59%	<b>International Equity</b>	<b>10.43%</b>	<b>5.23%</b>	\$	2,772,318,692	26.31%
Russell 1000 Value	9.50%	11.46%	6.03%	<b>Diversified Strategy</b>	<b>2.59%</b>	<b>4.56%</b>	\$	297,452,917	2.09%
Russell 2000 Index	14.03%	16.93%	8.18%	<b>Fixed Income</b>	<b>7.37%</b>	<b>4.51%</b>	\$	1,971,055,565	18.03%
Russell 2000 Growth	12.75%	18.66%	4.50%	<b>Real Assets</b>	<b>-3.30%</b>	<b>-4.75%</b>	\$	1,513,529,427	14.18%
Russell 2000 Value	15.26%	14.65%	11.85%	<b>APERS Total Portfolio</b>	<b>8.06%</b>	<b>4.32%</b>	\$	10,764,451,822	
Russell 3000 Index	12.07%	25.96%	8.43%				\$	222,204,567	Cash
<b>International Equity</b>							\$	10,986,656,389	<b>TOTAL FUND</b>
MSCI EAFE	10.42%	18.24%	5.88%						
MSCI ACWI xUS	9.75%	15.62%	5.61%						
<b>Fixed Income</b>									
Bloomberg Agg	6.82%	5.72%	4.22%						



# Q4 2023 Summary

<b>Current Concerns</b>			
<b>2 U.S. Allies are involved in war/conflict - oil involved in both</b>			
<b>Ukraine</b>			
<b>Israel</b>			
<b>More bank failures? NY Community Bank fell 45%</b>			
<b>Commercial property losses causing bank problems globally</b>			
<b>China recently consolidated hundreds of rural lenders as financial risks mount</b>			
<b>Recent Houthi attacks causing unrest - oil &amp; possible European inflation</b>			
<b>Positives</b>			
<b>Did the Fed avoid a recession?</b>			
<b>Rate cuts instead of rate hikes? If so, when?</b>			



# Glossary of Terminology

The Super 6 = “MANMAT” = Microsoft, Apple, NVIDIA, Meta (facebook), Amazon, Tesla.

Magnificent 7 = “MANMAT” + Alphabet (Google) = MANMAAT

Fed = The U.S. Federal Reserve Bank

S&P 500 = Standard and Poor’s 500

Q4 = Fourth Quarter

YTD = Year to Date

Bloomberg Agg = Bloomberg Aggregate Index

U.S. T-bill = United States Treasury Bill

Value = Value Stocks

Growth = Growth Stocks

EAFE = Europe Asia Far East

ACWI = All Country World Index

IG = Investment Grade



February 21, 2024

## **Executive Summary Fourth Quarter 2023**

Arkansas Public Employees  
Retirement System

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**Brianne Weymouth, CAIA**  
Senior Vice President

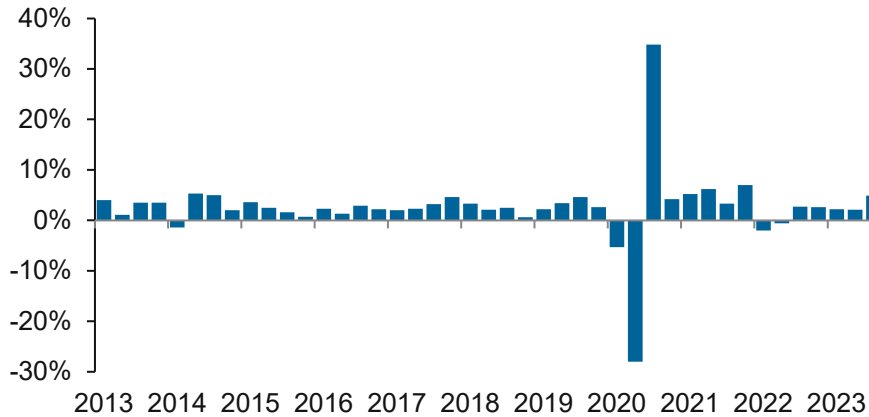
**John Jackson, CFA**  
Senior Vice President

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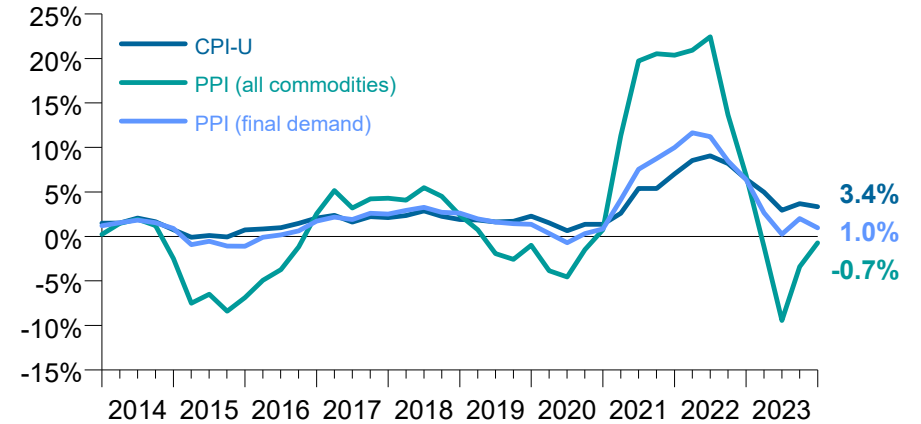
# U.S. Economy—Summary

For periods ended 12/31/23 (Except GDP which is as of 9/30/23)

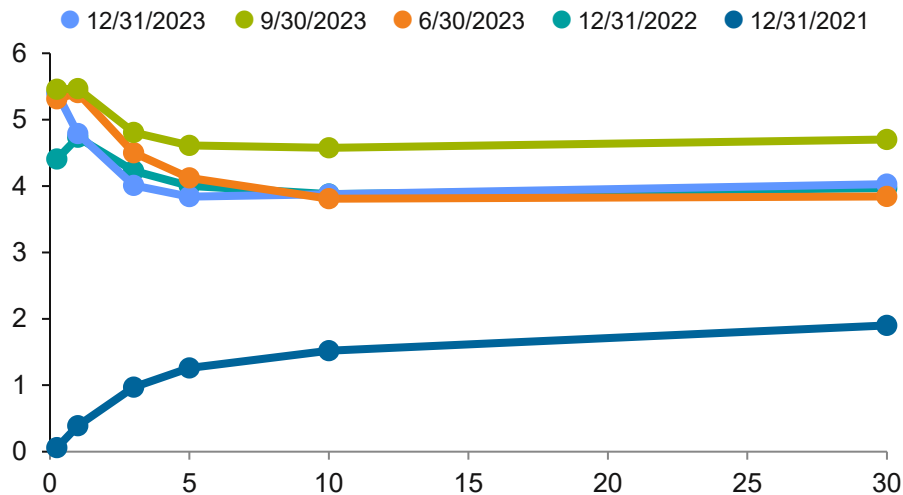
Quarterly Real GDP Growth



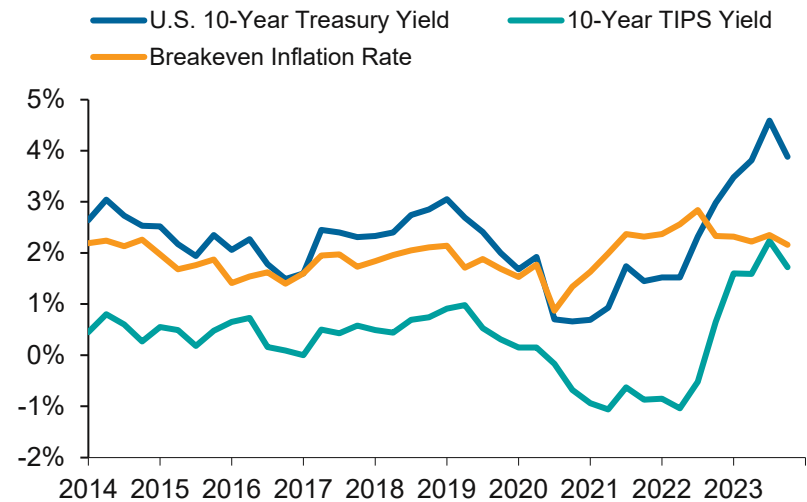
Inflation Year-Over-Year



U.S. Treasury Yield Curves



Historical 10-Year Yields Through 12/31/23



Sources: Bloomberg, Bureau of Labor Statistics, Callan

# Equity Markets Recovered in 4Q, Posted Positive 2023 Returns

Stocks and bonds are recovering from 2022

## S&P 500 soared 11.7% in 4Q23

- Loss through first three quarters of 2022 was 23.9%; the rebound in the following five quarters brought the index back to a positive return of 1.7% over the past two years.

## Fixed income recovered in 4Q, up 6.8% after a sharp loss of 3.2% in 3Q

- The Bloomberg Aggregate was on track for another negative year through 3Q; softening Fed language on rates and a dot plot that showed cuts on the horizon in 4Q turned the market around.
- CPI-U declined in 4Q compared to 3Q, though up 3.4% year-over-year; the index is still 10% higher than it was at the start of 2022.

## Economic data defied expectations of recession in 2023

- GDP growth came in at 2.1% in 1Q, 2.2% in 2Q, and jumped to a stunning 4.9% in 3Q. Preliminary 4Q forecasts have GDP over 2%.
- Job market remains solid, providing support to Fed efforts to fight inflation.

## Returns for Periods ended 12/31/23

	Quarter	1 Year	2 Years	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	12.07	25.96	0.88	15.16	11.48	7.74
S&P 500	11.69	26.29	1.69	15.69	12.03	7.56
Russell 2000	14.03	16.93	-3.55	9.97	7.16	7.91
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	10.51	17.94	0.54	8.45	4.32	4.62
MSCI Emerging Markets	7.86	9.83	-6.32	3.69	2.66	--
MSCI ACWI ex USA Small Cap	10.12	15.66	-3.79	7.89	4.88	7.28
<b>Fixed Income</b>						
Bloomberg Aggregate	6.82	5.53	-4.19	1.10	1.81	3.85
90-day T-Bill	1.37	5.01	3.22	1.88	1.25	1.90
Bloomberg Long Gov/Credit	13.24	7.13	-11.62	1.12	3.22	5.21
Bloomberg Global Agg ex-US	9.21	5.72	-7.29	-1.56	-0.79	2.25
<b>Real Estate</b>						
NCREIF Property*	-1.37	-8.39	3.12	5.26	7.40	8.31
FTSE Nareit Equity	16.22	13.73	-7.25	7.39	7.65	9.27
<b>Alternatives</b>						
HFRI Fund Weighted	3.59	7.52	1.52	7.00	4.53	6.30
Cambridge Private Equity*	1.60	2.78	3.19	15.18	14.78	13.61
Bloomberg Commodity	-4.63	-7.91	3.40	7.23	-1.11	2.83
Gold Spot Price	11.02	13.45	6.44	10.09	5.59	8.19
<b>Inflation - CPI-U</b>	-0.34	3.35	4.89	4.07	2.79	2.54

\*Cambridge PE data as of 6/30/23; NCREIF Property data as of 9/30/23

Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

# U.S. Equity Performance: 4Q23

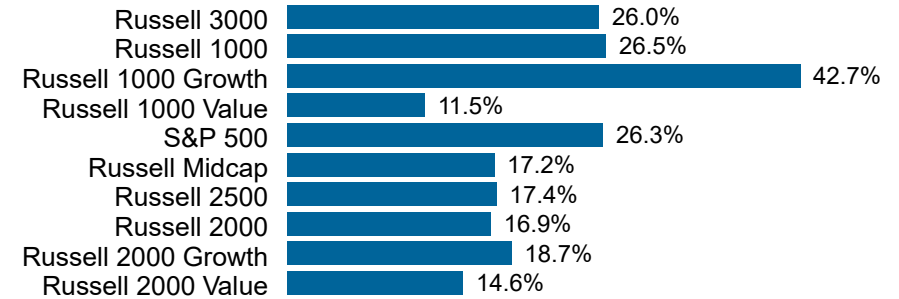
The U.S. equity market rallied in 4Q, closing the year near record highs

- ▶ U.S. equity markets rebounded in the last two months of the year as the impact of possible rate cuts in 2024 started to get priced in.
- ▶ 2023 saw the narrowest breadth of leadership (“the Magnificent Seven”) since 1987 with just 27% of stocks outperforming the S&P 500. Historically, such concentrated leadership has not been the sign of a healthy market. However, gains started broadening out in the last two months of the year with the equal-weighted S&P index outperforming the capitalization-weighted version.
- ▶ Smaller cap stocks also outperformed their large cap counterparts in 4Q23, further proof of the broadening out of returns; for the full year, large cap stocks outperformed small cap stocks by almost 10 percentage points.
- ▶ Growth vs. value performance was mixed across market capitalization during the quarter. Within large cap, growth outperformed value, while the opposite was true within small cap.

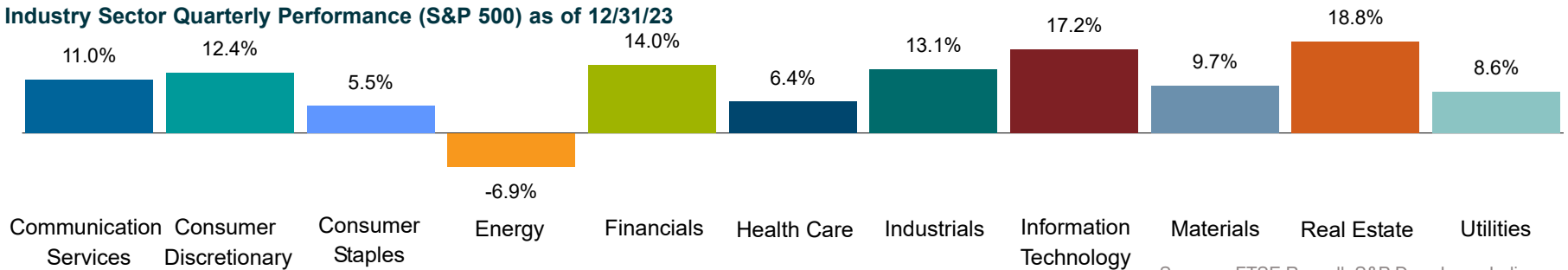
## U.S. Equity: Quarter Ended 12/31/23



## U.S. Equity: One Year Ended 12/31/23



## Industry Sector Quarterly Performance (S&P 500) as of 12/31/23



Sources: FTSE Russell, S&P Dow Jones Indices

# Global/Global ex-U.S. Equity Performance: 4Q23

Dovish central banks drove market higher

## Global markets in the black for 4Q

### Broad market

- ▶ Dovish signaling from central banks and dropping yields led to a broad market rally in 4Q.
- ▶ Global ex-U.S. small caps reclaimed some of their lagging performance in 4Q but ended the year as the worst-performing broad-based index, albeit up over 12%. Elevated borrowing costs and the persistent risk of a recession have kept investors away.
- ▶ Japan's low rates have benefited exporters, and the threat of being delisted spurred a stock buy-back spree. Coupled with an increased focus on governance, this spurred Japan to a multi-decade high.

### Emerging markets

- ▶ Emerging markets underperformed developed markets.
  - India's rally couldn't overcome China's weakness, whose economic growth was near the government's target, but investor concerns around stimulus and a surprisingly sluggish reopening drove stocks lower.

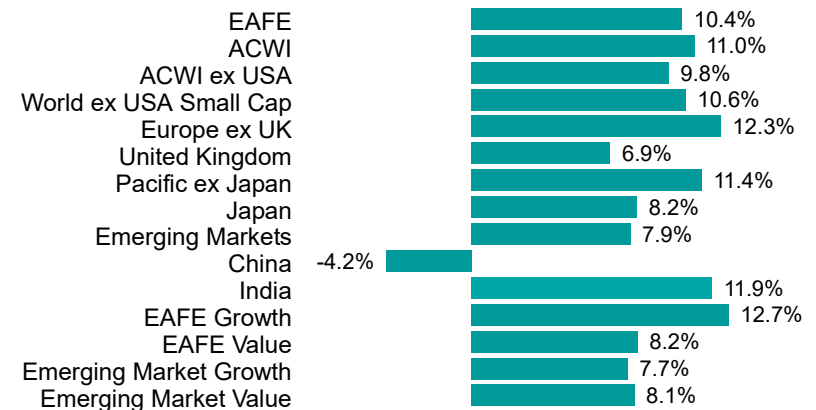
### Growth vs. value

- ▶ Energy, a volatile area in the market, pulled back value's rally after having a strong 3Q. Global ex-U.S. growth rallied on lowering yields but couldn't overcome earlier underperformance and ended the year behind its value peers in both emerging and developed markets.

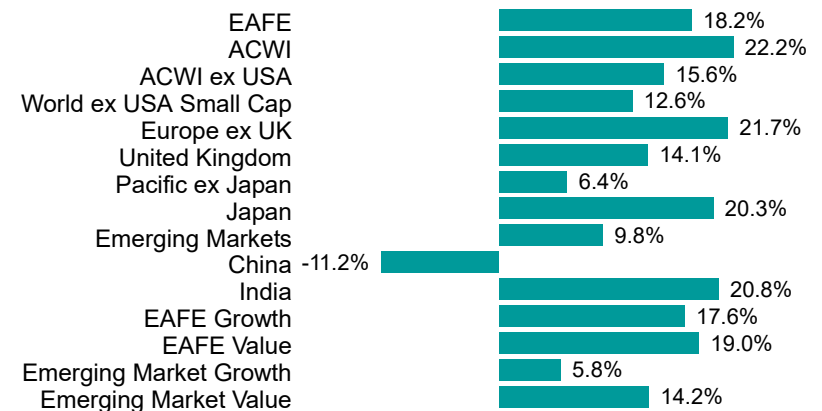
### U.S. dollar vs. other currencies

- ▶ The U.S. dollar weakened in 4Q as investors believed that U.S. interest rates would fall faster than much of the developed world.

Global Equity Returns: Quarter Ended 12/31/23



Global Equity Returns: One Year Ended 12/31/23



Source: MSCI

# U.S. Fixed Income Performance: 4Q23

Bonds bounce back at year-end; U.S. Treasury yield has volatile 2023

## Strong returns at end of year

- ▶ Driven by falling rates and strong risk-on sentiment, the Aggregate returned 6.8%, the highest quarterly return since 2Q89
- ▶ 10-year U.S. Treasury yield closed the year at 3.88%.
  - A round trip from 12/2022, masking significant volatility during the year
  - High was 4.98% in October and low was 3.30% in April
- ▶ Corporates and mortgages outperformed Treasuries for the quarter and year.
- ▶ High yield corporates soared as defaults remained low, economy resilient.

## U.S. Treasury yield curve remained inverted, but less so

- ▶ 1.06% as of 6/30; 0.44% as of 9/30; 0.35% as of 12/31

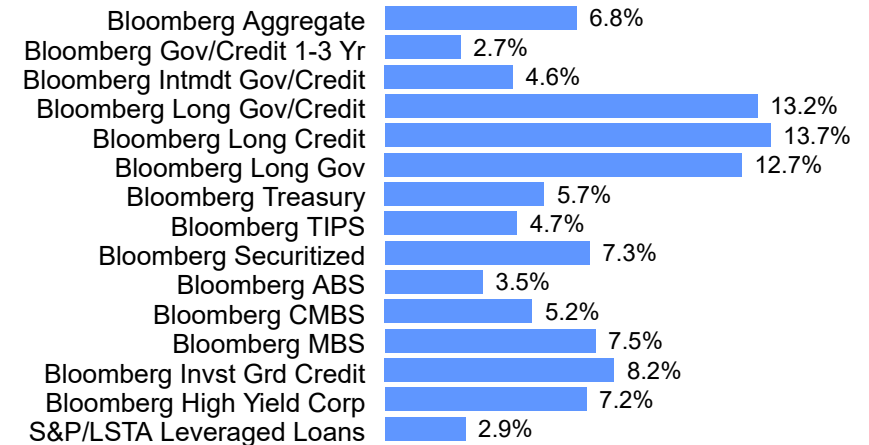
## Fed kept Fed Funds rate on hold and softened language

- ▶ Pivoted from “higher for longer” to projected rate cuts in 2024
- ▶ Inflation over past six months below Fed’s 2% target
  - Core PCE Price Index was 1.9% annualized in November
- ▶ Markets expect six rate cuts in 2024 versus three in the Fed’s Summary of Economic Projections

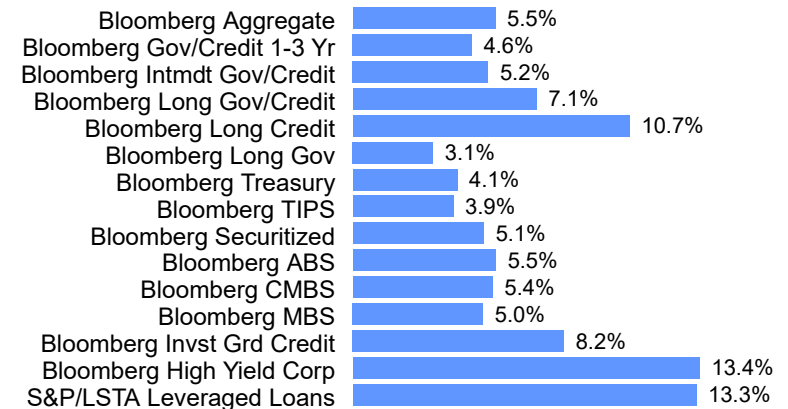
## Valuations

- ▶ Investment grade and high yield corporate spreads now below 10-year averages

## U.S. Fixed Income Returns: Quarter Ended 12/31/23



## U.S. Fixed Income Returns: One Year Ended 12/31/23

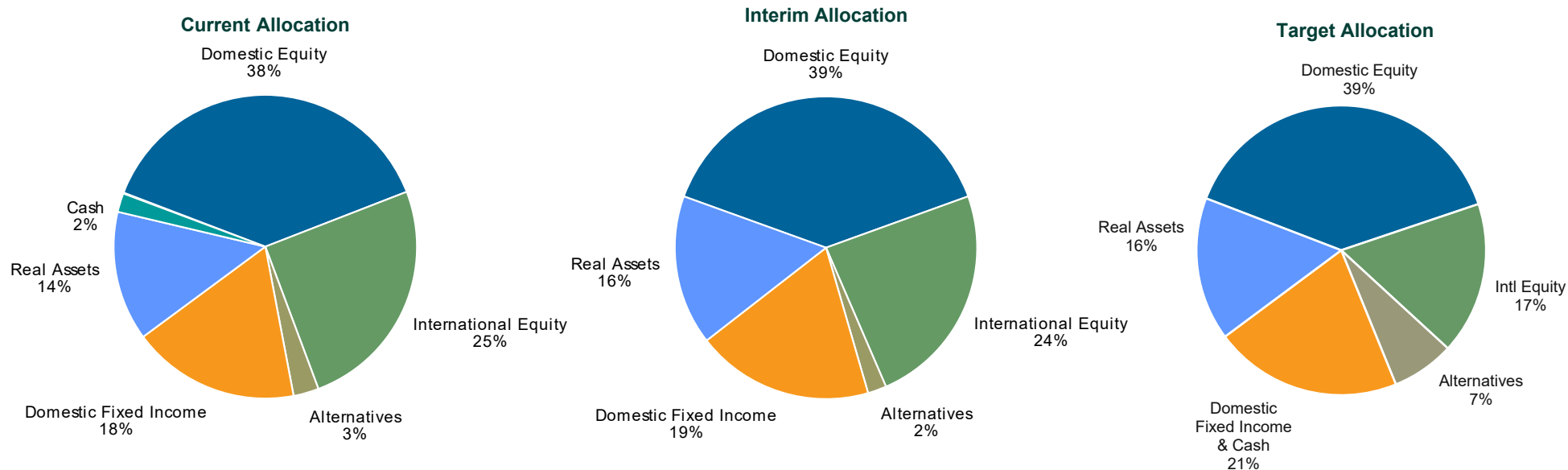


Sources: Bloomberg, Callan, S&P Dow Jones Indices



# Actual vs. Target Asset Allocation\*

December 31, 2023



Asset Class	\$Millions Actual	Weight Actual	Interim Target	Percent Difference	\$Millions Difference
Domestic Equity	4,210	38.3%	39.0%	(0.7%)	(75)
International Equity	2,772	25.2%	24.0%	1.2%	136
Alternatives	297	2.7%	2.0%	0.7%	78
Domestic Fixed Income	1,971	17.9%	19.0%	(1.1%)	(116)
Real Assets	1,514	13.8%	16.0%	(2.2%)	(244)
Cash	222	2.0%	0.0%	2.0%	222
<b>Total</b>	<b>10,987</b>	<b>100.0%</b>	<b>100.0%</b>		

- The APERS Investment Policy states that rebalancing to the target asset allocation should take place when the actual asset allocation falls outside of a +/- 5% range from the target asset allocation. All asset classes are within their allowable ranges.

\*The long-term asset allocation was approved in 2023. The benchmark will be modified to reflect the new long-term targets when the Private Equity allocation has been implemented. Benchmark definitions can be found in the appendix.

# Investment Manager Asset Allocation

December 31, 2023

	December 31, 2023			September 30, 2023		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$4,210,095,221</b>	<b>38.32%</b>	<b>\$(113,692,977)</b>	<b>\$451,706,938</b>	<b>\$3,872,081,260</b>	<b>37.78%</b>
Lazard Asset Mgmt.	515,769,708	4.69%	(350,465)	48,806,047	467,314,126	4.56%
CastleArk Mgmt. LLC	539,241,659	4.91%	(630,496)	65,540,526	474,331,629	4.63%
Mellon S&P 500 Index Fd	706,243,433	6.43%	(47,141,676)	74,222,329	679,162,779	6.63%
Horrell Capital - Passive	222,716,373	2.03%	(80,653)	24,295,494	198,501,532	1.94%
Mellon Large Cap Growth	403,534,109	3.67%	(36,012,250)	53,522,417	386,023,943	3.77%
Wellington Management	504,284,506	4.59%	(343,399)	46,136,103	458,491,802	4.47%
Intech	6,841	0.00%	(136)	6,886	91	0.00%
LSV Asset Management	405,198,854	3.69%	(511,487)	49,802,358	355,907,983	3.47%
Stephens Investment Mgmt.	503,136,917	4.58%	(718,327)	56,967,128	446,888,117	4.36%
Froley Revy Investment	409,962,821	3.73%	(27,904,087)	32,407,651	405,459,257	3.96%
<b>International Equity</b>	<b>\$2,772,318,692</b>	<b>25.23%</b>	<b>\$(118,408,501)</b>	<b>\$267,296,929</b>	<b>\$2,623,430,264</b>	<b>25.60%</b>
Artisan Partners	701,189,707	6.38%	(40,884,968)	68,924,644	673,150,031	6.57%
Mellon ACWI ex US Fund	614,917,146	5.60%	(25,069,398)	55,577,903	584,408,641	5.70%
Baillie Gifford Overseas	511,680,219	4.66%	(25,483,413)	54,636,091	482,527,541	4.71%
Lazard Asset Mgmt.	577,523,904	5.26%	(26,412,293)	53,829,403	550,106,793	5.37%
Acadian ACW ex US SmallCap	202,568,446	1.84%	(300,072)	18,288,157	184,580,361	1.80%
Franklin Templeton Intl SmallCap	164,439,270	1.50%	(258,357)	16,040,731	148,656,896	1.45%
<b>Alternatives</b>	<b>\$297,452,917</b>	<b>2.71%</b>	<b>\$68,046,952</b>	<b>\$5,789,535</b>	<b>\$223,616,430</b>	<b>2.18%</b>
<b>Private Equity</b>	<b>\$68,620,383</b>	<b>0.62%</b>	<b>\$68,620,383</b>	<b>\$0</b>	<b>-</b>	<b>-</b>
HarbourVest Dover XI	68,620,383	0.62%	68,620,383	0	-	-
<b>Hedge Funds</b>	<b>\$228,832,534</b>	<b>2.08%</b>	<b>\$(573,431)</b>	<b>\$5,789,535</b>	<b>\$223,616,430</b>	<b>2.18%</b>
Blackstone Alt. Asset Mgmt	228,832,534	2.08%	(573,431)	5,789,535	223,616,430	2.18%
<b>Domestic Fixed Income</b>	<b>\$1,971,055,565</b>	<b>17.94%</b>	<b>\$(947,649)</b>	<b>\$135,306,569</b>	<b>\$1,836,696,646</b>	<b>17.92%</b>
DoubleLine Capital	622,225,206	5.66%	(276,482)	40,336,153	582,165,535	5.68%
MacKay Shields	670,095,105	6.10%	(309,223)	47,830,249	622,574,079	6.07%
PGIM	678,735,254	6.18%	(361,945)	47,140,166	631,957,032	6.17%
<b>Real Assets</b>	<b>\$1,513,529,427</b>	<b>13.78%</b>	<b>\$121,828,816</b>	<b>\$(51,508,175)</b>	<b>\$1,443,208,786</b>	<b>14.08%</b>
<b>REITS</b>	<b>\$12,516,715</b>	<b>0.11%</b>	<b>\$(1,356)</b>	<b>\$1,758,731</b>	<b>\$10,759,340</b>	<b>0.10%</b>
MCM EB DV Non-SL REIT Fd	12,516,715	0.11%	(1,356)	1,758,731	10,759,340	0.10%
<b>Core Real Estate</b>	<b>\$875,471,077</b>	<b>7.97%</b>	<b>\$(3,639,326)</b>	<b>\$(42,229,875)</b>	<b>\$921,340,278</b>	<b>8.99%</b>
Invesco Real Estate	542,477,789	4.94%	(567,273)	(26,438,397)	569,483,459	5.56%
Heitman Real Estate Tr LP	332,993,288	3.03%	(3,072,053)	(15,791,478)	351,856,819	3.43%
<b>Value Add Real Estate</b>	<b>\$433,168,337</b>	<b>3.94%</b>	<b>\$121,432,389</b>	<b>\$(12,311,488)</b>	<b>\$324,047,436</b>	<b>3.16%</b>
Carlyle Property Investors	85,000,000	0.77%	85,000,000	0	-	-
Clarion Lion Industrial Trust	79,700,284	0.73%	(245,590)	(2,282,356)	82,228,230	0.80%
Hamison Street Fund VIII	46,782,812	0.43%	2,357,023	(54,919)	44,480,708	0.43%
Heitman Value Partners IV	46,795,332	0.43%	(2,427,643)	3,745,691	45,477,284	0.44%
LaSalle Inc & Growth VI LP	5,443,416	0.05%	0	436,849	5,006,567	0.05%
LaSalle Inc & Growth VII LP	18,006,238	0.16%	(86,502)	(3,357,455)	21,450,195	0.21%
Starwood SOF XII	37,236,053	0.34%	22,263,635	(1,849,086)	16,821,504	0.16%
TA Realty XI	3,389,536	0.03%	(4,043,035)	(1,341,709)	8,774,280	0.09%
TA Realty XII	95,320,167	0.87%	670,854	(5,159,355)	99,808,668	0.97%
TA Realty XIII	15,494,499	0.14%	17,943,647	(2,449,148)	-	-
<b>Farmland</b>	<b>\$94,835,372</b>	<b>0.86%</b>	<b>\$4,256,165</b>	<b>\$875,062</b>	<b>\$89,704,145</b>	<b>0.88%</b>
IFC Core Farmland Fund	52,620,404	0.48%	(1,071,673)	1,099,456	52,592,621	0.51%
PGIM Agriculture	42,214,968	0.38%	5,327,838	(224,394)	37,111,524	0.36%
<b>Timber</b>	<b>\$97,537,927</b>	<b>0.89%</b>	<b>\$(219,055)</b>	<b>\$399,395</b>	<b>\$97,357,587</b>	<b>0.95%</b>
Pinnacle	97,537,927	0.89%	(219,055)	399,395	97,357,587	0.95%
<b>Cash</b>	<b>\$222,204,567</b>	<b>2.02%</b>	<b>\$(29,720,757)</b>	<b>\$1,749,765</b>	<b>\$250,175,559</b>	<b>2.44%</b>
<b>Composite Fund</b>	<b>\$10,986,656,389</b>	<b>100.00%</b>	<b>\$(72,894,116)</b>	<b>\$810,341,561</b>	<b>\$10,249,208,945</b>	<b>100.00%</b>

# Asset Class Performance and Market Values

December 31, 2023

	Market Value \$(Dollars)	Ending Weight	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
<b>Domestic Equity</b>	<b>\$4,210,095,221</b>	<b>38.32%</b>	<b>11.87%</b>	<b>7.38%</b>	<b>20.79%</b>	<b>6.61%</b>	<b>14.05%</b>
Russell 3000 Index	-	-	12.07%	8.43%	25.96%	8.54%	15.16%
<b>International Equity</b>	<b>\$2,772,318,692</b>	<b>25.23%</b>	<b>10.43%</b>	<b>5.23%</b>	<b>17.86%</b>	<b>2.11%</b>	<b>9.06%</b>
Benchmark**	-	-	9.81%	5.98%	15.62%	1.53%	6.61%
<b>Alternatives</b>	<b>\$297,452,917</b>	<b>2.71%</b>	<b>2.29%</b>	<b>4.56%</b>	<b>8.14%</b>	<b>3.49%</b>	<b>6.22%</b>
<b>Private Equity</b>	<b>\$68,620,383</b>	<b>0.62%</b>	-	-	-	-	-
<b>Hedge Funds</b>	<b>\$228,832,534</b>	<b>2.08%</b>	<b>2.59%</b>	<b>4.87%</b>	<b>7.42%</b>	<b>6.42%</b>	<b>6.47%</b>
HFRI FOF: Diversified Index***	-	-	2.92%	3.71%	8.06%	5.84%	5.69%
<b>Domestic Fixed Income</b>	<b>\$1,971,055,565</b>	<b>17.94%</b>	<b>7.37%</b>	<b>4.51%</b>	<b>7.87%</b>	<b>(2.38%)</b>	<b>2.23%</b>
Blmbg Aggregate	-	-	6.82%	3.37%	5.53%	(3.31%)	1.10%
<b>Real Assets</b>	<b>\$1,513,529,427</b>	<b>13.78%</b>	<b>(3.30%)</b>	<b>(4.75%)</b>	<b>(8.74%)</b>	<b>8.55%</b>	<b>6.17%</b>
NCREIF Total Index****	-	-	(3.02%)	(4.35%)	0.18%	7.11%	6.59%
<b>REITS</b>	<b>\$12,516,715</b>	<b>0.11%</b>	<b>16.35%</b>	<b>7.72%</b>	<b>13.92%</b>	<b>7.19%</b>	<b>5.84%</b>
S&P DJ US Select REIT	-	-	16.35%	7.74%	13.96%	7.18%	6.12%
<b>Core Real Estate</b>	<b>\$875,471,077</b>	<b>7.97%</b>	<b>(4.60%)</b>	<b>(6.38%)</b>	<b>(11.75%)</b>	<b>5.47%</b>	<b>3.99%</b>
NFI-ODCE Eq Wt Net	-	-	(5.37%)	(7.37%)	(13.33%)	4.35%	3.78%
<b>Value Add Real Estate</b>	<b>\$433,168,337</b>	<b>3.94%</b>	<b>(2.79%)</b>	<b>(5.12%)</b>	<b>(10.64%)</b>	<b>13.81%</b>	<b>12.14%</b>
NCREIF Total Index	-	-	(3.02%)	(4.35%)	(7.94%)	4.57%	4.33%
<b>Farmland</b>	<b>\$94,835,372</b>	<b>0.86%</b>	<b>0.98%</b>	<b>0.98%</b>	<b>5.68%</b>	-	-
NCREIF Farmland Index	-	-	2.27%	2.00%	4.96%	7.41%	6.01%
<b>Timber</b>	<b>\$97,537,927</b>	<b>0.89%</b>	<b>0.41%</b>	<b>5.16%</b>	<b>16.47%</b>	<b>13.98%</b>	<b>7.28%</b>
NCREIF Timberland Index	-	-	4.34%	5.76%	9.45%	10.49%	6.62%
<b>Cash</b>	<b>\$222,204,567</b>	<b>2.02%</b>	<b>1.29%</b>	<b>2.51%</b>	<b>4.90%</b>	<b>2.22%</b>	<b>1.90%</b>
<b>Total Fund</b>	<b>\$10,986,656,389</b>	<b>100.00%</b>	<b>7.98%</b>	<b>4.30%</b>	<b>12.27%</b>	<b>3.90%</b>	<b>9.18%</b>
<b>Total Fund ex Cash</b>	<b>\$10,764,451,822</b>	<b>97.98%</b>	<b>8.06%</b>	<b>4.32%</b>	<b>12.33%</b>	<b>3.91%</b>	<b>9.22%</b>
Benchmark*	-	-	7.93%	4.78%	14.98%	4.44%	9.27%

- **Domestic Equity** underperformed the benchmark in the fourth quarter and over the last 5-year period.
- **International Equity** outperformed the benchmark in the fourth quarter and exceeded the benchmark return over longer time periods.
- **Hedge Funds** trailed the index in the fourth quarter and leads the benchmark over longer time periods.
- **Domestic Fixed Income** outperformed the benchmark in the fourth quarter and leads the index over longer trailing time periods.
- **Farmland and Timber** underperformed their respective benchmarks for the quarter. The Timber allocation outpaced its benchmark over the last one-, three-, and five-year periods, and Farmland beat its benchmark over the last year.
- **Value Add Real Estate** outperformed its benchmark in the fourth quarter and over the trailing three- and five-year periods.
- **Core Real Estate** beat its benchmark return for the quarter and outperformed over longer periods.
- **REITS** performed in line with the benchmark for the quarter and modestly underperformed over the last five years.

\* Current Quarter Target = 39% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 19% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index



\*\*\* MSCI EAFE through 12/31/2020; MSCI ACWI ex US IMI (Net) thereafter.

\*\*\*\* 60% MSCI World and 40% Bloomberg Aggregate through 6/30/2023; HFRI FOF: Diversified Index thereafter

\*\*\*\*\* CPI All Urban Consumers +4% through 6/30/2023; NCREIF Total Index thereafter

# Total Fund Performance

December 31, 2023

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	9.40	16.28	6.49	10.14	7.83	7.66
25th Percentile	8.55	14.33	5.38	9.55	7.41	7.38
Median	7.93	12.99	4.26	8.97	6.90	7.16
75th Percentile	7.35	11.64	3.25	8.13	6.33	6.78
90th Percentile	6.58	10.66	2.14	7.50	5.91	6.42
 <b>Total Fund</b>	<b>7.98 (48)</b>	<b>12.27 (64)</b>	<b>3.90 (59)</b>	<b>9.18 (40)</b>	<b>6.91 (49)</b>	<b>7.24 (39)</b>
 <b>Benchmark</b>	7.93 (50)	14.98 (18)	4.44 (46)	9.27 (37)	6.97 (47)	7.20 (45)

- The above chart shows the distribution of returns for the Callan Public Fund DB Peer Group across time periods ended December 31, 2023. Returns longer than one year annualized.
- The returns and peer group ranking for the APERS Total Fund and Total Fund Target are shown in the bottom two rows.
  - **The 25th percentile return** represents the value above which 25% of the returns fall. In other words, it's the point where a quarter of the peer group earned a higher return, and three-quarters of the peer group earned a lower return.
  - **The median return** represents the middle value in a distribution of returns. If we arrange all the returns in ascending order, the median is the value that separates the lower half from the higher half.
  - **The 75th percentile return** represents the value above which 75% of the returns fall. In other words, it's the point where three-quarters of the peer group earned a higher return, and a quarter of the peer group earned a lower return.

*Current Quarter Target = 39% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 19% Blmbg Aggregate Index, 16% NCREIF Total Index, 2% HFRI FOF: Diversified Index*

# Investment Manager Returns and Peer Group Rankings

December 31, 2023

	Last Quarter		Fiscal YTD		Last Year		Last 3 Years		Last 5 Years	
<b>Domestic Equity</b>	<b>11.87%</b>	<b>48</b>	<b>7.38%</b>	<b>82</b>	<b>20.79%</b>	<b>85</b>	<b>6.61%</b>	<b>87</b>	<b>14.05%</b>	<b>71</b>
Russell 3000 Index	12.07%	33	8.43%	24	25.96%	14	8.54%	50	15.16%	21
Pub Pln- Dom Equity	11.81%		8.02%		23.72%		8.54%		14.57%	
Lazard Asset Mgmt.	10.46%	67	1.54%	97	16.31%	69	6.27%	75	11.87%	82
Russell 3000 Index	12.07%	41	8.43%	49	25.96%	29	8.54%	58	15.16%	40
Callan All Cap Broad	11.48%		8.41%		20.75%		9.73%		14.68%	
CastleArk	13.83%	12	8.70%	38	31.07%	24	8.42%	58	17.97%	10
Russell 3000 Growth Index	14.09%	11	10.28%	17	41.21%	7	8.08%	62	18.85%	7
Callan All Cap Broad	11.48%		8.41%		20.75%		9.73%		14.68%	
Mellon S&P 500 Index Fd	11.68%	59	8.03%	82	26.28%	48	10.00%	58	15.36%	54
S&P 500 Index	11.69%	58	8.04%	82	26.29%	48	10.00%	58	15.69%	50
Callan Large Cap Core	11.88%		9.38%		26.16%		10.33%		15.69%	
Horrell Capital - Passive	12.25%	40	7.77%	59	14.49%	70	11.96%	26	14.69%	47
Bloomberg Arkansas Index	8.57%	89	11.38%	8	19.44%	55	24.10%	1	20.29%	3
S&P 500 Index	11.69%	43	8.04%	55	26.29%	29	10.00%	44	15.69%	31
Callan All Cap Broad	11.48%		8.41%		20.75%		9.73%		14.68%	
Mellon Large Cap Growth	14.22%	48	10.64%	43	-	-	-	-	-	-
Russell 1000 Growth Index	14.16%	51	10.59%	47	42.68%	35	8.86%	26	19.50%	10
Callan Large Cap Growth	14.19%		10.49%		40.49%		6.74%		17.14%	
Wellington Management	10.07%	48	6.87%	75	14.45%	36	10.55%	63	12.52%	52
Russell 1000 Value Index	9.50%	64	6.03%	85	11.46%	66	8.86%	90	10.91%	87
Callan Large Cap Value	10.04%		7.60%		12.99%		11.11%		12.61%	
LSV Asset Management	14.02%	38	13.40%	27	18.99%	27	16.00%	15	13.46%	33
Russell 2000 Value Index	15.26%	20	11.85%	41	14.65%	65	7.94%	81	10.00%	89
Callan Small Cap Value	13.54%		10.95%		16.62%		11.09%		12.33%	
Stephens Investment Mgmt.	12.78%	25	7.38%	7	20.30%	31	0.29%	33	11.69%	62
Russell 2000 Growth Index	12.75%	26	4.50%	35	18.66%	47	(3.50%)	62	9.22%	86
Callan Small Cap Growth	11.13%		3.87%		17.88%		(1.53%)		12.21%	
Froley Revy Investment	8.10%	8	3.89%	38	8.40%	66	(2.95%)	87	10.73%	35
ML All Conv	6.67%	31	3.98%	37	12.87%	11	(0.82%)	57	11.93%	18
Callan Convert Bonds DB	6.01%		3.53%		9.13%		(0.63%)		8.74%	

- Total Domestic Equity underperformance over the last year has weighed on long-term results, as the composite trails the benchmark and peer group median over the trailing 3- and 5-year periods.
- Wellington, Stephens, and Froley Revy led their respective benchmarks for the quarter and ranked in the top half of their peer universe. Over the last five years, Stephens and Wellington outperformed their respective benchmarks while Froley Revy underperformed.
- CastleArk and Lazard underperformed their respective benchmarks for the fourth quarter. CastleArk trailed the benchmark over the last five years but ranked in the top quartile of peers. Lazard has underperformed the benchmark and its peer group median over longer periods.

# Investment Manager Returns and Peer Group Rankings

December 31, 2023

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
<b>International Equity</b>	<b>10.43%</b>	<b>5.23%</b>	<b>17.86%</b>	<b>2.11%</b>	<b>9.06%</b>
Benchmark*	9.81%	5.98%	15.62%	1.53%	6.61%
Pub Pln- Intl Equity	9.70%	5.48%	16.51%	1.82%	8.11%
Artisan Partners	10.53%	7.66%	24.43%	11.48%	13.84%
MSCI EAFE	10.42%	5.88%	18.24%	4.02%	8.16%
Callan NonUS Eq	10.07%	5.09%	18.08%	3.36%	8.86%
Mellon ACWI ex US Fund	9.73%	5.63%	15.95%	1.82%	7.40%
MSCI ACWI ex US	9.75%	5.61%	15.62%	1.55%	7.08%
Callan NonUS Eq	10.07%	5.09%	18.08%	3.36%	8.86%
Baillie Gifford Overseas	11.62%	0.19%	11.55%	(7.82%)	7.24%
MSCI ACWIxUS Gross	9.82%	5.78%	16.21%	2.04%	7.60%
Callan NonUS Eq	10.07%	5.09%	18.08%	3.36%	8.86%
Lazard Asset Mgmt.	10.05%	5.08%	19.17%	2.40%	7.69%
MSCI ACWIxUS Gross	9.82%	5.78%	16.21%	2.04%	7.60%
Callan NonUS Eq	10.07%	5.09%	18.08%	3.36%	8.86%
Acadian ACW ex US SmallCap	9.93%	8.45%	15.58%	7.57%	-
MSCI ACWI ex US Small Cap	10.12%	8.25%	15.66%	1.49%	7.89%
Callan Intl Small Cap	10.88%	6.48%	15.06%	(0.01%)	7.77%
Franklin Templeton Intl SmallCap	10.82%	6.83%	17.13%	-	-
MSCI ACWI ex US Small Cap	10.12%	8.25%	15.66%	1.49%	7.89%
Callan Intl Small Cap	10.88%	6.48%	15.06%	(0.01%)	7.77%
<b>Alternatives</b>	<b>2.29%</b>	<b>4.56%</b>	<b>8.14%</b>	<b>3.49%</b>	<b>6.22%</b>
<b>Hedge Funds</b>	<b>2.59%</b>	<b>4.87%</b>	<b>7.42%</b>	<b>6.42%</b>	<b>6.47%</b>
HFRI FOF: Diversified Index***	2.92%	3.71%	8.06%	5.84%	5.69%
Blackstone Alt. Asset Mgmt.	2.59%	4.87%	7.42%	6.42%	6.47%
HFRI FOF: Diversified Index***	2.92%	3.71%	8.06%	5.84%	5.69%
Callan Core Diversif FoF	2.52%	3.99%	6.85%	3.65%	5.69%
<b>Domestic Fixed Income</b>	<b>7.37%</b>	<b>4.51%</b>	<b>7.87%</b>	<b>(2.38%)</b>	<b>2.23%</b>
Bimbg Aggregate Index	6.82%	3.37%	5.53%	(3.31%)	1.10%
Pub Pln- Dom Fixed	6.87%	3.94%	6.60%	(2.23%)	2.04%
DoubleLine Capital	6.93%	3.75%	7.11%	(2.01%)	1.54%
MacKay Shields	7.69%	4.93%	8.20%	(2.31%)	2.71%
PGIM	7.46%	4.79%	8.23%	(2.80%)	2.37%
Bimbg Aggregate Index	6.82%	3.37%	5.53%	(3.31%)	1.10%
Callan Core Plus FI	7.17%	4.03%	6.90%	(2.52%)	2.23%

- **Total International Equity** outperformed the benchmark in the fourth quarter and has outpaced the benchmark over longer periods. The composite ranks in the 21<sup>st</sup> percentile of peers over the last five years.
- **Artisan, Baillie Gifford, Lazard, and Franklin Templeton** led their respective benchmarks for the quarter. Artisan, Lazard, Artisan, Baillie Gifford, and Lazard ranked in the top half of their peer groups. Over the 5-year period, Artisan and Lazard have outperformed their respective benchmarks. Baillie Gifford underperformed over the last five years.
- **Hedge Funds:** Blackstone underperformed the target for the quarter but has outpaced its target return and ranks in the top quartile of peers over the trailing 3- and 5-year periods.
- **Domestic Fixed Income** leads the index over the last 3- and 5-year periods. All three managers delivered excess returns over the benchmark in the fourth quarter and have outperformed over longer periods.

\*\* MSCI EAFE through 12/31/2020; MSCI ACWI ex US IMI (Net) thereafter.

\*\*\* 60% MSCI World and 40% Bloomberg Aggregate through 6/30/2023; HFRI FOF: Diversified Index thereafter

# Investment Manager Returns and Peer Group Rankings

December 31, 2023

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
<b>Real Assets</b>	<b>(3.30%)</b>	<b>(4.75%)</b>	<b>(8.74%)</b>	<b>8.55%</b>	<b>6.17%</b>
NCREIF Total Index****	(3.02%)	(4.35%)	0.18%	7.11%	6.59%
<b>REITS</b>	<b>16.35%</b>	<b>7.72%</b>	<b>13.92%</b>	<b>7.19%</b>	<b>5.84%</b>
S&P DJ US Select REIT	16.35%	7.74%	13.96%	7.18%	6.12%
MCM EB DV Non-SL REIT Fd	16.35%	7.72%	13.92%	7.19%	5.84%
S&P DJ US Select REIT	16.35%	7.74%	13.96%	7.18%	6.12%
Callan Real Estate REIT	16.48%	8.08%	13.96%	6.79%	8.85%
<b>Core Real Estate</b>	<b>(4.60%)</b>	<b>(6.38%)</b>	<b>(11.75%)</b>	<b>5.47%</b>	<b>3.99%</b>
NCREIF NFI-ODCE Eq Wt Net	(5.37%)	(7.37%)	(13.33%)	4.35%	3.78%
Invesco Real Estate	(4.64%)	(6.13%)	(12.14%)	4.64%	3.75%
Heitman Real Estate Trust LP*****	(4.53%)	(6.79%)	(11.12%)	6.81%	4.42%
NCREIF NFI-ODCE Eq Wt Net	(5.37%)	(7.37%)	(13.33%)	4.35%	3.78%
Callan OE Core Cmngld RE	(0.22%)	(2.08%)	(8.63%)	5.52%	4.70%
<b>Value Add Real Estate</b>	<b>(2.79%)</b>	<b>(5.12%)</b>	<b>(10.64%)</b>	<b>13.81%</b>	<b>12.14%</b>
NCREIF Total Index	(3.02%)	(4.35%)	(7.94%)	4.57%	4.33%
Clarion Lion Industrial Trust	(2.78%)	(2.06%)	(4.17%)	-	-
Harrison Street Fund VIII	(0.12%)	0.01%	15.86%	-	-
Heitman Value Partners IV	8.59%	11.22%	1.02%	17.44%	14.99%
LaSalle Inc & Growth VI LP	8.73%	(1.89%)	(7.68%)	(13.25%)	(8.92%)
LaSalle Inc & Growth VII LP	(15.71%)	(35.98%)	(51.12%)	(11.30%)	(5.40%)
Starwood SOF XII	(4.73%)	(1.80%)	(3.19%)	-	-
TA Associates Realty Fund XI	(23.51%)	(26.80%)	(43.56%)	(1.25%)	4.23%
TA Associates Realty Fund XII	(5.12%)	(7.30%)	(10.57%)	20.67%	-
NCREIF Total Index	(3.02%)	(4.35%)	(7.94%)	4.57%	4.33%
<b>Farmland</b>	<b>0.98%</b>	<b>0.98%</b>	<b>5.68%</b>	<b>-</b>	<b>-</b>
IFC Core Farmland Fund	2.11%	3.29%	10.72%	-	-
PGIM Agriculture	(0.61%)	(2.18%)	(1.55%)	-	-
NCREIF Farmland Index	2.27%	2.00%	4.96%	7.41%	6.01%
<b>Timber</b>	<b>0.41%</b>	<b>5.16%</b>	<b>16.47%</b>	<b>13.98%</b>	<b>7.28%</b>
Pinnacle	0.41%	5.16%	16.47%	13.98%	7.28%
NCREIF Timberland Index	4.34%	5.76%	9.45%	10.49%	6.62%
<b>Cash</b>	<b>1.29%</b>	<b>2.51%</b>	<b>4.90%</b>	<b>2.22%</b>	<b>1.90%</b>
<b>Total Fund</b>	<b>7.98%</b>	<b>4.30%</b>	<b>12.27%</b>	<b>3.90%</b>	<b>9.18%</b>
Callan Public Fund Spr DB	7.93%	5.08%	12.99%	4.26%	8.97%
<b>Total Fund ex Cash</b>	<b>8.06%</b>	<b>4.32%</b>	<b>12.33%</b>	<b>3.91%</b>	<b>9.22%</b>
Benchmark*	7.93%	4.78%	14.98%	4.44%	9.27%
Callan Public Fund Spr DB	7.93%	5.08%	12.99%	4.26%	8.97%

- The **Real Assets** composite underperformed its target for the third quarter and over the last year. REITS performed in line with the benchmark for the quarter, Core and Value Add Real Estate outperformed, and the Farmland and Timber allocations underperformed their benchmarks.
- The **Total Fund** outperformed its benchmark and ranked ahead of its peer group median for the quarter. The Fund ranked at the 59<sup>th</sup> percentile of peers and trailed the benchmark over the last 3-year period. Over the last 5 years, the Fund narrowly trailed its benchmark but ranked at the 40<sup>th</sup> percentile of its peer group.

\* Current Quarter Target = 39% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 19% Blmbg Aggregate Index, 16% CPI All Urban Cons +4%, 3% MSCI World Index and 2% Blmbg Aggregate Index

\*\*\* MSCI EAFE through 12/31/2020; MSCI ACWI ex US IMI (Net) thereafter.

\*\*\* 60% MSCI World and 40% Bloomberg Aggregate through 6/30/2023; HFRI FOF: Diversified Index thereafter

\*\*\*\* CPI All Urban Consumers +4% through 6/30/2023; NCREIF Total Index thereafter

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## Organizational Developments

*4<sup>th</sup> Quarter 2023*

### **CastleArk Management – Domestic Equity**

In December 2023, CastleArk’s Internal Chief Compliance Officer, Rick Simek, notified the firm of his desire to leave the firm. CastleArk’s Executive Committee discussed Simek’s departure with internal and external counsel and made the decision to pursue ACA Global as an Outsourced Chief Compliance Officer as his replacement. ACA is a long-standing partner of CastleArk’s, dating back more than 10 years. They have provided GIPS audit and other compliance advice to CastleArk over that time and were very familiar with the firm. ACA has been in the outsource OCCO business for some time but expanded significantly via their acquisitions of Foreside and Harden in the past few years. These firms were focused outsourced providers and allowed ACA to become the new industry heavyweight in these and other services. Chris Brancazio (ACA) is onboard as the OCCO and will with the dedicated internal resource—Sarah Johnson—to maintain a consistent feedback and module connectivity to the organization. Sarah’s role in the firm is expanding from ESG and Execution into the Compliance Coordinator role. It is CastleArk’s expectation that she will ultimately take the CCO role over in the coming years.

It is not unusual to see smaller firms outsource many areas including compliance given the increased costs. CastleArk has outsourced other functions such as middle/back office and cybersecurity in the past, so this is not the first external relationship for the firm. The SEC states that it’s inappropriate not to have a named internal CCO so Callan will continue monitoring to verify that Sarah Johnson remains on track for that position in addition to her ESG duties



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# Organizational Developments

*4<sup>th</sup> Quarter 2023*

## **Acadian Asset Management – International Equity**

On December 20, 2023, Acadian announced that CEO Ross Dowd was replaced by Chief Marketing Officer (CMO) Kelly Young. Ted Noon will become the new CMO. The change was not related to Acadian's performance or Ross's management ability but differing views on the future of Acadian's ownership. Kelly is a 15-year veteran at Acadian. She has been the Chief Marketing Officer since 2019, where she was responsible for Acadian's business development efforts. Ted Noon has been with Acadian since 2003, most recently focusing on North American Business Development.

We believe that Dowd's departure relates to his relationship with the BSIG's executive team and does not reflect on the firm, investment team, or strategies. As we have communicated in the past, and this event further solidifies, we believe the chance of a change of Acadian's ownership remains elevated.

## **Franklin Templeton – International Equity**

On January 1, 2024 Franklin completed the acquisition of Putnam from Great-West Lifeco, Inc. The Putnam equity teams will remain as distinct investment boutiques similar to previous acquired firms (ClearBridge, Brandywine, Western Asset). The Putnam Fixed Income & Multi-Asset teams will fold under FT Fixed Income and FT Investment Solutions.

Franklin was able to execute the acquisition of Legg Mason well providing confidence in this integration too. However, we will follow up if our opinion changes.

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## Organizational Developments

*4<sup>th</sup> Quarter 2023*

### **Baillie Gifford – International Equity**

Baillie Gifford announced that on March 1st, the strategy's Portfolio Construction Group (PCG) will be expanding from five to six members with the addition of Alex Summers, an experienced Emerging Markets investor. At the same point, existing PCG members Iain Campbell and Joe Faraday will establish a dedicated central desk for the strategy, focusing on additional portfolio monitoring, construction, and complimentary research. Iain and Joe will now only be responsible for this strategy with no other regional or client servicing focused responsibilities. Efforts have been made to refine portfolio construction and risk oversight, aiming to strike a balance between high-growth, pre-profit companies and quality compounders.

Overall, while the changes seem incremental, Callan views the heightened focus on risk management to aid in the portfolio balance as a positive development.

### **Clarion Partners – Value-Add Real Estate**

On December 22, 2023, Clarion Partners announced that Dr. Tim Wang, Managing Director and Head of Investment Research, will retire at the end of December 2023 after nearly 18 years with the Firm. Dr. Wang joined Clarion in 2006 and became Head of Investment Research in 2012. In this role, he served as a member of both the equity and debt investment committees. The Research team, which already reports up to the Chief Investment Officer, Jeb Belford, will be led by Mr. Belford in the interim. Indraneel ("Indy") Karlekar, Ph.D. has joined Clarion Partners as a Managing Director and the Global Head of Research and Strategy. Indy will be a voting member of Clarion's Equity and Debt Investment Committees, and will be a member of Clarion's Executive Board. In his role, Mr. Karlekar is responsible for overseeing all facets of investment research in developing portfolio strategy, leveraging data analytics, and supporting capital raising and client service. Mr. Karlekar spent the last 10 years as the Global Head of Research and Portfolio Strategies for Principal Asset Management. He had also held senior research roles with ING Clarion Real Estate Securities between 2003 and 2011.

The announcement of Dr. Wang's retirement is notable but not actionable. Dr. Wang is highly regarded by the industry, including Callan's Real Assets Consulting team, but is supported by a strong team of nine dedicated research professionals, including several senior- and mid-level individuals.

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## Work Plan Update

### Asset Liability Study

- Completed in February 2019. The Board decided to keep the current asset allocation unchanged

### Investment Policy Review and Update – Completed in August 2019

#### Non-US Equity Structure Study

- The Board reviewed the Non-US Equity Structure Study at the November 2019 Board Meeting
- The Board selected a structure which included a new allocation to Non-US Small Cap Equity
- The Non-US Small Cap Equity search was concluded in November 2020 with the selection of Acadian Asset Management and Franklin Templeton Investments

#### Real Assets Structure Study

- The Board reviewed the Real Assets Structure at the February 2021 meeting. The Board chose to eliminate the Energy equity allocation, in favor of additional Core and Core Plus real estate, and Farmland. Additional Allocations to Value-add real estate were also approved
- At the May 2021 Board Meeting, the Board approved the Real Estate Pacing Study and new commitments to Starwood and Harrison Street Partners
- At the November 2021 Board Meeting, Farmland managers were interviewed and both IFC and PGIM were allocated \$50 million.
- Core Plus Real Estate Manager Interviews occurred at the February Board Meeting, all three managers, Carlyle, Principal, and Clarion, were hired to manage \$85 million.

#### Domestic Equity Structure Study

- Presented at the August 2022 Board Meeting. The Board decided to maintain the current Domestic Equity Structure.

#### Private Equity Education and Total Fund Asset Allocation Review

- Private equity education was provided at the Trustee Workshop in October 2022. In the November 2022 meeting the Board received an asset allocation review which included portfolios containing private equity.
- The Board requested that Callan complete a Private Equity pacing analysis using a 5% private equity target allocation for the Fund.

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## Work Plan Update

### Total Fund Asset Allocation Review Update and Private Equity Pacing Study Analysis

- Presented at the February 2023 meeting

### Private Equity Education, Pacing Study Review

- Additional Private Equity education provided on May 16<sup>th</sup>, 2023
- Private Equity Pacing Study results presented at the May 16<sup>th</sup>, 2023 meeting

### Investment Policy Review

- Approved in November 2023

### Upcoming Projects:

- **Fixed Income Structure Study**

# Total Fund Relative Attribution

December, 2023

## Relative Attribution Effects for Quarter ended December 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	37%	39%	11.87%	12.07%	(0.08%)	(0.07%)	(0.14%)
Domestic Fixed Income	18%	19%	7.37%	6.82%	0.10%	0.01%	0.11%
International Equity	25%	24%	10.43%	9.81%	0.16%	0.02%	0.18%
Alternatives	3%	2%	2.29%	2.92%	(0.02%)	(0.03%)	(0.04%)
Real Assets	15%	16%	(3.30%)	(3.02%)	(0.04%)	0.14%	0.10%
Cash	2%	0%	1.29%	1.29%	0.00%	(0.15%)	(0.15%)
<b>Total</b>			<b>7.98%</b>	<b>= 7.93%</b>	<b>+ 0.12%</b>	<b>+ (0.08%)</b>	<b>0.05%</b>

## Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	37%	6.61%	8.54%	(0.74%)	0.04%	(0.69%)
Domestic Fixed Income	17%	18%	(2.38%)	(3.31%)	0.16%	0.07%	0.23%
International Equity	25%	24%	2.11%	1.53%	0.15%	(0.07%)	0.08%
Alternatives	4%	5%	3.49%	2.36%	0.07%	0.00%	0.07%
Real Assets	14%	16%	8.55%	7.11%	0.05%	(0.22%)	(0.18%)
Cash	1%	0%	2.22%	2.22%	0.00%	(0.05%)	(0.05%)
<b>Total</b>			<b>3.90%</b>	<b>= 4.44%</b>	<b>+ (0.31%)</b>	<b>+ (0.23%)</b>	<b>(0.54%)</b>

## Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	37%	14.05%	15.16%	(0.42%)	0.07%	(0.34%)
Domestic Fixed Income	17%	18%	2.23%	1.10%	0.17%	0.01%	0.17%
International Equity	25%	24%	9.06%	6.61%	0.61%	(0.07%)	0.54%
Alternatives	4%	5%	6.22%	7.96%	(0.08%)	0.00%	(0.08%)
Real Assets	14%	16%	6.17%	6.59%	(0.20%)	(0.11%)	(0.31%)
Cash	1%	0%	1.90%	1.90%	0.00%	(0.06%)	(0.06%)
<b>Total</b>			<b>9.18%</b>	<b>= 9.27%</b>	<b>+ 0.07%</b>	<b>+ (0.16%)</b>	<b>(0.09%)</b>

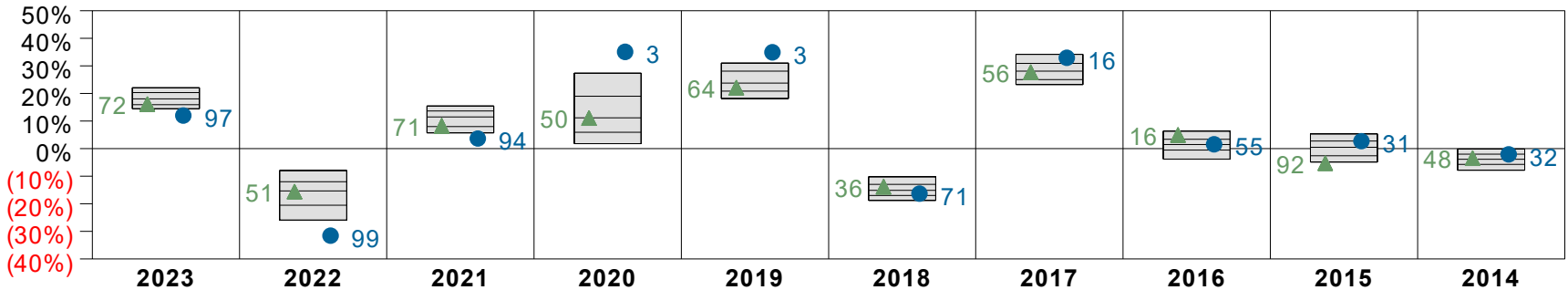
- 4<sup>th</sup> Quarter:** Active management added value for the quarter, particularly within Fixed Income and International Equity. Variance from policy weights had a modest negative impact, primarily due to an overweight to cash.
- Three Years:** Over the last three years, active management had a negative impact on relative performance overall. Domestic Equity managers were the largest detractor. The Fund benefited from an overweight to Domestic Equity and an underweight to Fixed Income, but an underweight to Real Assets and an overweight to International Equity were detractors.
- Five Years:** The Fund trailed its policy benchmark return over the last five years. Active management within International Equity and Fixed Income added value, while Domestic Equity and Real Assets managers were the primary detractors. Variance from target policy weights had a negative impact due to an underweight to Real Assets and overweights to Cash and International Equity.

Current Quarter Target = 39% Russell 3000 Index, 24% MSCI ACWI ex US IMI Index, 19% Blmbg Aggregate Index, 16% NCREIF Total Index, 2% HFRI FOF: Diversified Index

# Manager Spotlight

## Baillie Gifford

### Performance vs Callan Non-US Equity (Gross)



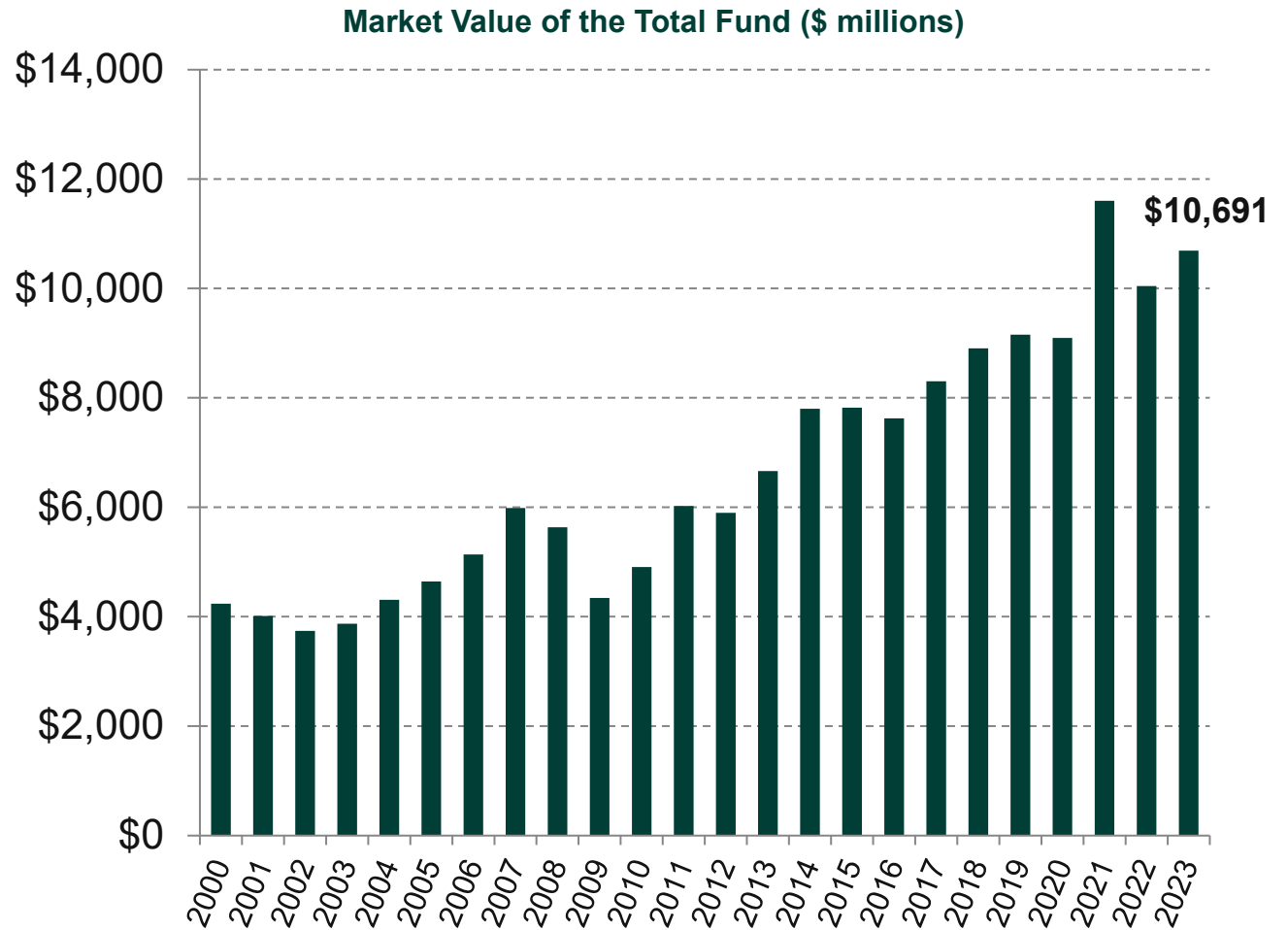
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
10th Percentile	22.05	(7.90)	15.44	27.39	31.03	(10.17)	34.21	6.37	5.38	(0.13)
25th Percentile	20.34	(11.97)	13.69	19.00	28.11	(12.89)	30.96	3.40	2.76	(1.97)
Median	18.08	(15.29)	11.50	11.19	23.78	(15.12)	28.16	1.50	0.54	(3.85)
75th Percentile	15.93	(20.51)	7.98	5.93	20.88	(17.01)	25.08	(0.47)	(2.53)	(5.70)
90th Percentile	14.48	(25.95)	5.73	1.81	18.19	(18.73)	23.28	(3.82)	(4.89)	(7.82)
<b>Baillie Gifford Overseas</b>	● 11.55	(31.98)	3.22	34.64	34.52	(16.76)	32.51	1.13	2.25	(2.50)
MSCI ACWI xUS GD	▲ 16.21	(15.57)	8.29	11.13	22.13	(13.77)	27.77	5.01	(5.25)	(3.44)

- Baillie Gifford outperformed the benchmark and placed in the top third of its peer group in 5 of the last 10 full calendar years.
- Recently, Baillie Gifford has underperformed the benchmark and ranked in the bottom decile of peers in two consecutive calendar years. The strategy trailed the benchmark and ranked in the 97<sup>th</sup> percentile of its peer group in 2023 despite positive 4Q performance.
- Performance in 2023 struggled due to some key detractors:
  - Japan: a strong value market was a headwind, and several holdings were hurt by their exposure to Chinese consumers and regulations.
  - Consumer Discretionary: luxury goods and cosmetics companies struggled post-COVID as the reopening economy in China was weaker than expected.

# Historical Market Values of the Total Fund

## Fiscal Year-End Market Values

Fiscal Year Ending	Market Value
2000	\$4,236,749,732
2001	\$4,012,745,608
2002	\$3,739,381,695
2003	\$3,869,787,673
2004	\$4,307,589,827
2005	\$4,642,924,118
2006	\$5,136,985,259
2007	\$5,985,111,493
2008	\$5,633,155,289
2009	\$4,341,419,711
2010	\$4,907,734,835
2011	\$6,022,965,592
2012	\$5,896,862,618
2013	\$6,662,631,673
2014	\$7,800,291,923
2015	\$7,820,289,128
2016	\$7,624,665,446
2017	\$8,301,352,120
2018	\$8,904,393,859
2019	\$9,153,121,783
2020	\$9,093,497,703
2021	\$11,602,695,185
2022	\$10,042,629,672
2023	\$10,691,261,784



# Benchmark Definitions

1. **Total Fund Benchmark (Target):** Blend of asset class benchmarks at policy weights. The Long-Term Target was established in July 2023; however, the benchmark will be modified in accordance with the actual implementation. This process reflects the practical implementation of the strategic long-term asset allocation.

	<b>Long-Term Target</b>	<b>4Q 2023 Target</b>
<b>Russell 3000</b>	<b>39.0%</b>	<b>39.0%</b>
<b>MSCI ACWI xUS IMI</b>	<b>17.0</b>	<b>24.0</b>
<b>Bloomberg Aggregate</b>	<b>21.0</b>	<b>19.0</b>
<b>Real Assets</b>	<b>16.0</b>	<b>16.0</b>
<b>Alternatives</b>	<b>7.0</b>	<b>2.0</b>
- Private Equity	5.0	0.0
- Hedge Funds	2.0	2.0
<b>Total Target</b>	<b>100.0%</b>	<b>100.0%</b>

2. **Domestic Equity Benchmark:** Russell 3000 Index
3. **International Equity Benchmark:** MSCI ACWI xUS IMI Index; Prior to 12/31/2020 MSCI EAFE Index
4. **Fixed Income Benchmark:** Bloomberg Aggregate Index
5. **Real Assets:** NCREIF Property Index; Prior to 7/1/2023 CPI All Urban Consumers + 4%
6. **Private Equity:** Russell 3000 Index +3%
7. **Hedge Funds:** HFRI Diversified Index; Prior to 7/1/2023 60% MSCI World and 40% Bloomberg Aggregate.



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A PRESENTATION FROM STEPHENS CAPITAL MANAGEMENT

# Arkansas PERS Private Equity Program

## Fourth Quarter 2023 Update

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# Arkansas PERS Private Equity Program Update

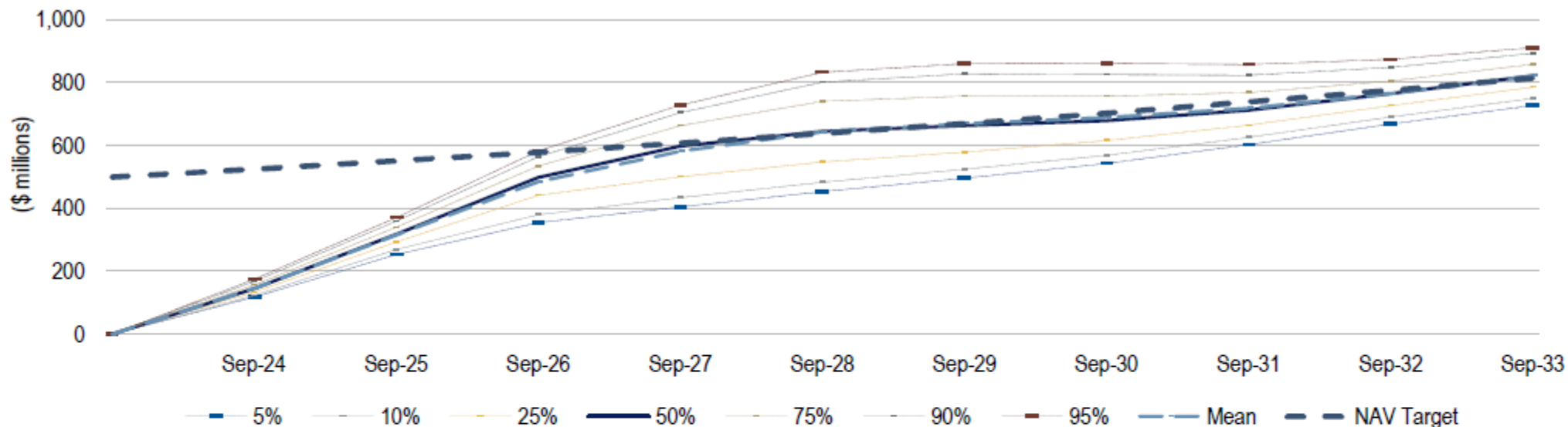
## Commitments Totaling \$725mm In Two Underlying Funds

- \$400mm HarbourVest Partners Dover Street XI, LP (Secondary Private Equity Fund)
  - As of 12/31/2023 \$68mm of Capital Has Been Called
- \$325mm NB Arkansas PERS FOO, LP (Custom Private Equity Fund with ability to be comprised of Primary & Secondary & Fund of Funds)
  - As of 12/31/23 \$0 Capital Has Been Called

**We Expect Capital Deployment To Ramp up in 2024 And Continue During the Three Year Investment Period**

**Performance Matrix Will Be Available Twelve Months After First Capital Call**

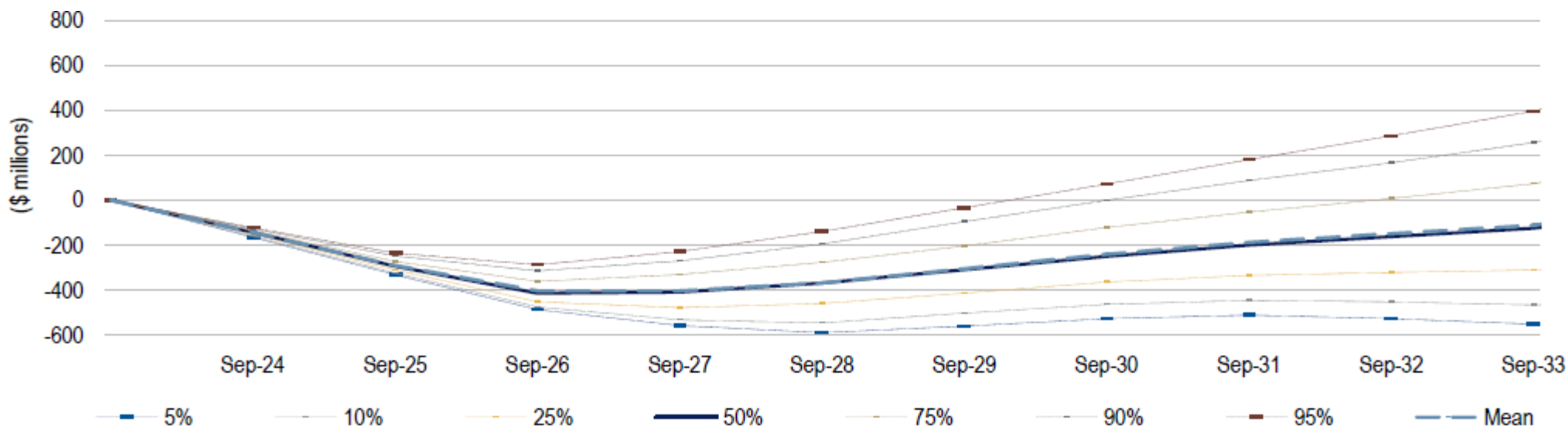
# NAV Development Of Private Equity Portfolio



	Sep-23	Sep-24	Sep-25	Sep-26	Sep-27	Sep-28	Sep-29	Sep-30	Sep-31	Sep-32	Sep-33
5%	-	125	268	397	451	496	532	567	620	678	735
10%	-	130	282	419	480	526	562	595	644	702	758
25%	-	138	303	467	537	585	614	641	681	738	794
50%	-	147	326	513	609	664	684	696	725	774	831
75%	-	157	347	550	669	741	761	760	773	811	865
90%	-	167	366	581	713	797	820	818	820	850	898
95%	-	173	377	599	739	831	851	850	849	873	917
Mean	-	148	325	507	602	663	687	702	728	775	829

Limitations of Target Returns: Target returns are based on statistical analysis of information. The target returns presented are not an economic prediction and are the views of Neuberger Berman as of the date hereof and are subject to change. Investors should keep in mind that the securities markets are volatile and unpredictable. Actual results may be significantly different than any target results and the team's history of achieving returns has no impact on the likelihood of a team achieving target statistics in the future. There are no guarantees that the historical performance of an investment, portfolio, or asset class will have a direct correlation with its future performance. Neuberger Berman does not make any representation as to the reasonableness of the assumptions or that all the assumptions used in calculating the target returns have been stated or fully considered. Changes in the assumptions may have a material impact on the target returns presented. For illustrative purposes only. Note: Please see endnotes for important information regarding the Stochastic Model and underlying assumptions. The model above is provided for illustrative purposes only and reflects a sample analysis performed with unique client parameters. The model is designed to forecast capital calls/ distribution activity and Net Asset Value ("NAV") developments and is not intended as a promise or prediction of performance. Assumptions are for modeling purposes only. There can be no assurance that the strategy will achieve comparable results, that targeted diversification or asset allocations will be met, that the strategy will be able to or will ultimately elect to implement the assumptive investment strategy and approach described in the model. Past performance is not necessarily indicative of future results. Results are before estimated NB management fees and carried interest. Note, net returns will be lower. Please see the Disclosures at the end of this presentation, which include important disclosures relating to target returns included in this model.

# Cumulative Net Cash Flow Projections



	Sep-23	Sep-24	Sep-25	Sep-26	Sep-27	Sep-28	Sep-29	Sep-30	Sep-31	Sep-32	Sep-33
5%	-	(166)	(332)	(486)	(558)	(590)	(561)	(527)	(511)	(527)	(551)
10%	-	(160)	(324)	(476)	(532)	(546)	(502)	(464)	(446)	(452)	(466)
25%	-	(152)	(310)	(452)	(478)	(459)	(414)	(363)	(334)	(322)	(310)
50%	-	(143)	(294)	(414)	(409)	(369)	(310)	(250)	(199)	(163)	(125)
75%	-	(135)	(272)	(361)	(330)	(277)	(203)	(121)	(52)	8	74
90%	-	(127)	(248)	(314)	(270)	(194)	(95)	0	88	168	258
95%	-	(123)	(235)	(287)	(228)	(140)	(33)	73	181	287	397
Mean	-	(144)	(290)	(403)	(403)	(367)	(305)	(239)	(187)	(148)	(110)

Limitations of Target Returns: Target returns are based on statistical analysis of information. The target returns presented are not an economic prediction and are the views of Neuberger Berman as of the date hereof and are subject to change. Investors should keep in mind that the securities markets are volatile and unpredictable. Actual results may be significantly different than any target results and the team's history of achieving returns has no impact on the likelihood of a team achieving target statistics in the future. There are no guarantees that the historical performance of an investment, portfolio, or asset class will have a direct correlation with its future performance. Neuberger Berman does not make any representation as to the reasonableness of the assumptions or that all the assumptions used in calculating the target returns have been stated or fully considered. Changes in the assumptions may have a material impact on the target returns presented. For illustrative purposes only. Note: Please see endnotes for important information regarding the Stochastic Model and underlying assumptions. The model above is provided for illustrative purposes only and reflects a sample analysis performed with unique client parameters. The model is designed to forecast capital calls/ distribution activity and Net Asset Value ("NAV") developments and is not intended as a promise or prediction of performance. Assumptions are for modeling purposes only. There can be no assurance that the strategy will achieve comparable results, that targeted diversification or asset allocations will be met, that the strategy will be able to or will ultimately elect to implement the assumptive investment strategy and approach described in the model. Past performance is not necessarily indicative of future results. Results are before estimated NB management fees and carried interest. Note, net returns will be lower. Please see the Disclosures at the end of this presentation, which include important disclosures relating to target returns included in this model.

# HarbourVest Dover Street XI LP Overview

## Key Fund Highlights

**\$12 billion**

Target fund size

**September 30, 2022**

Date of first investment

**17%**

Called from LPs as of December 31, 2023

**Shortly after final close**

First distribution

**3,000+**

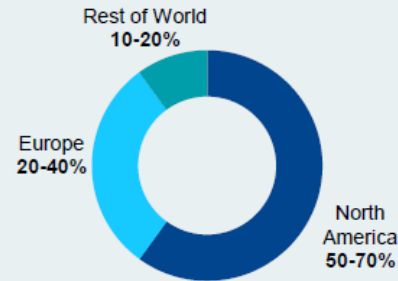
Expected number of underlying companies

**3 - 4 years**

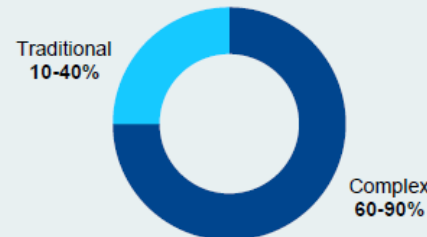
Expected investment period

## Illustrative Portfolio Construction<sup>1</sup>

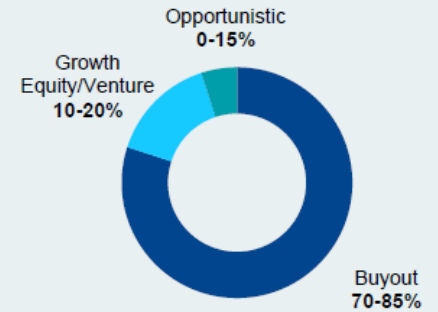
### Geography



### Transaction Type

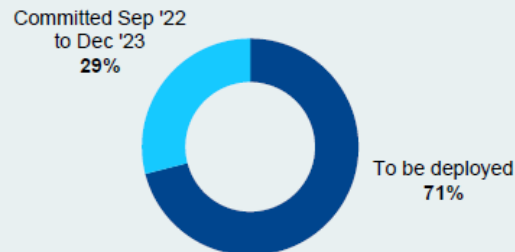


### Stage



## Current Portfolio

### Deployment<sup>2</sup>



### Largest Managers<sup>3</sup>

**INSIGHT**  
PARTNERS

**AQUILINE**  
CAPITAL PARTNERS LLC

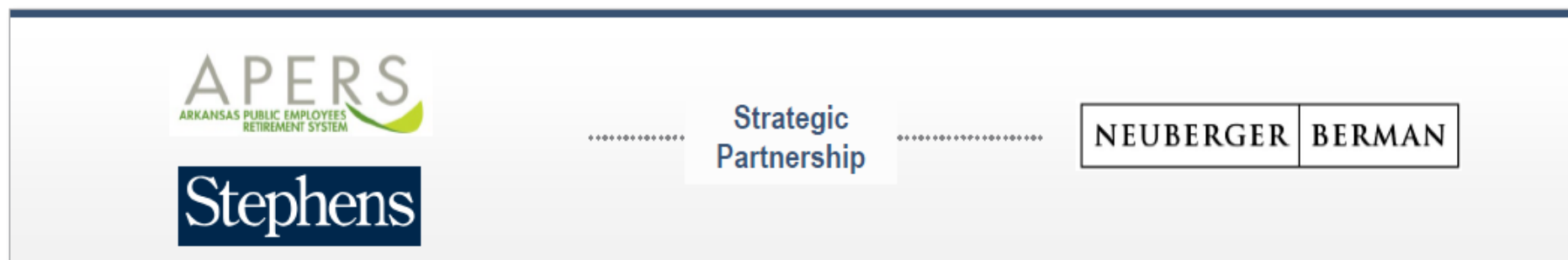
**JMI**  
EQUITY

**Hellman & Friedman**

**CHRISTOFFERSON**  
ROBB & COMPANY

1. As of December 31, 2023. These amounts reflect the current expectations for the allocation of the Fund. The ultimate allocation will differ based upon market conditions and available investment opportunities over the life of the Fund. Additionally, these are not prescriptive guidelines. The investment guidelines of the Fund are contained in the offering memorandum and the limited partnership agreement. 2. As of December 31, 2023. Based on fund hard cap of \$13.5 billion. 3. The companies and general partners listed above are for illustrative purposes only. While these are actual investments in a HarbourVest portfolio, there is no guarantee they will be in a future portfolio. General Partners shown represent the largest by current company value in the Dover XI portfolio, including transactions committed to but not yet closed.

## NB Arkansas PERS FOO, LP Overview



- **Name: NB Arkansas PERS FOO LP**
- Effective Date: October 17, 2023
- Structure: Limited Partnership (“Fund of One”)
- Purpose: Diversified Private Equity
- Commitment Period: 3 years
- Term: 10 years from the end of the Commitment Period
- Committed Capital: \$325 million
- Underlying committed capital to date:
  - Secondary Investments = \$75 million
  - Fund of Funds Investments = \$50 million
  - Primary Fund Investments = \$15 million



# Commitment Funding Status as of 12/31/23

	Investment	Adjusted Commitment	Paid-I Capital	Recallable Capital	Uncounted Funding	Net Capital Contributed	Unfunded	% Funded
<b>APERS PE Program</b>								
1	NB AR PERS FOO, LP	\$325,000,000	\$ -	\$ -	\$ -	\$ -	\$ 325,000,000.00	0
2	HV Dover Street XI	\$400,000,000	\$68,000,000	\$ -	\$ -	\$ 68,000,000.00	\$ 332,000,000.00	17%
TOTAL		\$725,000,000				\$ 68,000,000.00	\$ 657,000,000.00	9%

## Stochastic Portfolio Projection Model – *Assumptions*

The enclosed projections were estimated using our proprietary stochastic model which simulates different scenarios based on 30 years of private equity industry data

### Description of the NB Stochastic Portfolio Projection Model

- We have developed a proprietary investment projection model which is useful for modeling diverse existing private equity portfolios as well as hypothetical portfolio asset allocation and vintage year strategies
- Using Monte Carlo Simulation, this stochastic model allows us to project, with varying levels of confidence, how a private equity portfolio of funds and direct investments will develop over time
  - We are projecting capital calls, distributions and NAV progression based on asset class, NAV, vintage year and drawn amount of each investment in the portfolio as well as additional (potential) future investments and commitments
- The assumptions are based on Cambridge Associates private markets data, Burgiss' private markets database, and NB proprietary data
  - These cash flows represent the pooled cash flows of all private equity funds that report performance data to Cambridge Associates and Burgiss, and are net of all underlying fund fees and expenses

### Portfolio Assumptions / Basis for Projections

- The model analyzes a combined scenario with NAV and cash flow outcomes for:
  - a) \$475mm commitment to secondary funds in the near term (assumed split of \$250mm in traditional secondaries and \$225mm in GP-led secondaries)
  - b) \$250mm commitment to primary buyout funds, spread equally over 10 quarters (2.5 years)
  - c) Beginning in Q11 and ending in Year 10 (7.5 years), \$175mm in commitments to primary buyout funds per year

**Investments and Finance Subcommittee  
Chair Report  
February 12, 2024**

**Real Estate Options Update**

The subcommittee reviewed three available real estate options compared relative to staying in the current lease. The Executive Director recognized Mr. Ted Dickey, a licensed commercial real estate broker, who reviewed list prices, square footage, lease capabilities, and Investment Rate of Return on each property. The board entered discussion and requested the following from the Executive Director:

1. Options for a lease extension without a full renewal
2. To enter into negotiations with the three properties presented to obtain their best offer

**Request for Qualifications for Securities Litigation Firms**

Director Fecher shared that the APERS staff had followed the process to gain permission to seek outside counsel for securities litigation through Attorney General Griffin and Governor Sanders. APERS staff consulted with the Office of State Procurement and issued a Request for Qualifications (RFQ). Twenty-one firms responded to the RFQ. An APERS staff committee reviewed the RFQ and recommended nine securities litigation law firms be awarded a contingency contract. The subcommittee discussed the RFQ process and reasons for selection. The subcommittee approved the staff recommendation to accept nine firms for securities litigation cases.

**Fixed Income Update**

Mr. Borromeo presented investment staff recommendations on fixed income. The subcommittee requested more information on high yield and private credit to be presented at a future investment committee meeting.

**Domestic Equity Update**

The board approved APERS investment team to reduce small-cap growth exposure in the portfolio and add mid-cap growth using the same investment manager, Stephens, Inc. This will tilt the portfolio toward large and mid-cap growth and add a large-cap value index.

**Drop Rate**

Each year the Board sets the interest rate which will be paid on the balances in a member's DROP account for the next fiscal year, pursuant to ACA 24-4-803. In recent years, the Board has used the 10-year U.S. Treasury Note rate as a benchmark in setting the DROP Interest rate. It is APERS Staff's recommendation that the Board set the fiscal year rate using the 1-year U.S. Treasury Bill yield as a comparison. The board approved the staff recommendation of a 3% DROP interest rate for 2024.

*Action Item: We will need a motion to accept the Investments and Finance Subcommittee report and recommendations to:*

- 1. Authorize staff to enter into contingency contracts with nine securities litigation law firms to represent APERS as outside counsel.*
- 2. Accept the adjustment of the portfolio to add mid-cap growth which is within the approved asset allocation approved by the board.*
- 3. Accept the DROP interest rate for FY25 at 3%.*

# APERS DROP Interest Rate

**Summary:**

Each year the Boad sets the interest rate which will be paid on the balances in a member's DROP account for the next fiscal year, pursuant to ACA 24-4-803. In recent years, the Board has used the 10-year U.S. Treasury Note rate as a benchmark in setting the DROP Interest rate. It is APERS Staff recommendation that the Board set the fiscal year rate using the 1-year U.S. Treasury Bill yield as a comparison.

Historical 1-year and 10-Year Treasury Yields and DROP Interest Rates

Board Meeting Date February of	Setting Rate for Fiscal year	1-year U.S. Treasury Bill Yield	10-Year U.S. Treasury Note Yield	DROP Interest Rate Established
2014	2015	0.11%	2.71%	3.25%
2015	2016	0.23%	1.98%	3.25%
2016	2017	0.53%	1.74%	3.25%
2017	2018	0.86%	2.43%	3.25%
2018	2019	1.98%	2.85%	3.25%
2019	2020	2.54%	2.38%	3.25%
2020	2021	1.47%	1.56%	3.25%
2021	2022	0.07%	1.18%	3.25%
2022	2023	1.09%	1.92%	3.25%
2023	2024	4.69%	3.47%	3.00%
2024	2025	4.88%	4.11%	

\* as of 02/05/2023



Quarterly Board Meeting

**Statement of Fiduciary Net Position as of December 31, 2023**

ASSETS	
Cash and Cash Equivalents	\$ 33,452,289
Receivables	
Dec 2004 Actuarial Liability Receivable	4,136,402
Contributions Receivable	13,519,461
Overpayment Receivable	762,962
Allowance for Doubtful Accounts	<u>(757,087)</u>
Total Receivables	17,661,738
Investments at Fair Value	
Investment Assets	10,544,779,928
Securities Lending Collateral	<u>592,069,032</u>
Total Investments	11,136,848,960
Fixed Assets (Net)	8,610,892
Prepays and Other Assets	366,758
 TOTAL ASSETS	 <u><u>11,196,940,637</u></u>
LIABILITIES	
Securities Lending Liability	592,094,075
Accrued Expense and Other Liabilities	12,400,100
Other Post Employment Benefits	<u>4,404,909</u>
 TOTAL LIABILITIES	 <u><u>608,899,084</u></u>
 NET POSITION RESTRICTED FOR PENSION BENEFITS	 <u><u>\$ 10,588,041,552</u></u>

Unaudited  
(02/02/2024)



Quarterly Board Meeting  
**Statement of Changes in Fiduciary Net Position**  
**for the Period Ending December 31, 2023**

<b>ADDITIONS</b>	
Contributions	
Employer	\$ 172,886,667
Employee	<u>50,475,961</u>
Total Contributions	223,362,627
Investment Income	
Investment Income	434,935,668
Less: Investment Expense	<u>(10,599,533)</u>
Net Investment Income	424,336,134
Other Additions	
Transfers from Teachers and Highway	1,549,173
Miscellaneous Additions	346,452
Miscellaneous Administrative Transfers	<u>297,635</u>
Total Other Additions	<u>2,193,260</u>
TOTAL ADDITIONS	649,892,021
DEDUCTIONS	
Benefits	341,728,273
Refund of Contributions	10,179,519
Administrative Expense	<u>4,866,784</u>
TOTAL DEDUCTIONS	<u>356,774,576</u>
NET INCREASE/(DECREASE)	293,117,445
ADJUSTMENTS	
Actuarial Adjustment to DJ Unfunded Liability	<u>(380,284)</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of Year	<u>10,295,304,391</u>
End of 2nd Quarter	<u><u>\$ 10,588,041,552</u></u>

Unaudited  
(02/02/2024)



Quarterly Board Meeting  
**Internal Audit/Assurance Officer Report**

Control Self-Assessment FY2024  
Executive Summary

A Control Self-Assessment (CSA) within all state agencies is conducted once every two years. The Department of the Inspector General is charged with facilitating the completion of the CSA. Within the Department of the Inspector General, the Office of Internal Audit coordinates all activities undertaken to complete the CSA. Cloud-based software is configured by staff in the Office of Internal Audit, and users are created within each state agency with access to the software.

The CSA process is an opportunity for management to evaluate the effectiveness and efficiency of the existing internal control system.

APERS was notified on October 31, 2023, that the biannual process would begin in January 2024. The original assessment completion deadline was set for March 29, 2024. We received notice on February 8<sup>th</sup> that the deadline had been extended to December 31, 2024, due to organizational restructuring underway within some cabinet departments. The APERS CSA has been completed, reflecting organizational changes within the agency since the last CSA was conducted. Our CSA will be submitted by the original deadline date.

The Assurance Officer is responsible for facilitating the assessment at APERS. Preliminary work on the assessment was accomplished in November and December 2023. The assessment was updated to reflect the current division structure within APERS, and division and activity managers were updated. Required meetings to review risks and control activities were held in January. Meetings were held with each division; in some cases, such as the Benefits Administration division, divisions were broken down into individual department meetings. The Assurance Officer facilitated each meeting and updated the CSA software with any changes needed.

After a complete review of the risks, none were identified as requiring a corrective action plan for the agency. The CSA is a lengthy document (197 pages); therefore, we have elected not to include it in the Board Packet. A complete copy of the Control Self-Assessment will be available at the board meeting, or you may request a copy via email.





Quarterly Board Meeting  
February 21, 2024  
**Legal Report**

**ADMINISTRATIVE MEMBER APPEALS**

None pending

**APPEAL FROM ADMINISTRATIVE MEMBER APPEAL - LITIGATION**

*Hon. Raymond R. Abramson v. APERS et al, 48CV-23-98*

On December 6, 2023, Raymond Abramson filed a petition for judicial review of the Member Appeals Subcommittee’s ruling on November 1, 2023, that upheld the Executive Director’s determination to deny the retired member’s request to add employment as an independent contractor for Monroe County to receive additional service credit and retirement benefits from APERS. The Petition was filed in the Circuit Court of Monroe County. APERS is represented by the Office of the Attorney General. APERS’ Answer to the Petition and the Administrative Record were filed on January 12, 2024 and January 16, 2024, respectively.

**RULES PROMULGATION**

None

**SECURITIES LITIGATION CASES**

Company name	Case Caption	Date Case Filed	Lead Plaintiff Status	Firm
Seagate	In re Seagate Technology Holdings plc	10/19/2023	Granted  11/13/2023 Motion to Dismiss and Response filed	BLBG



Quarterly Board Meeting  
Benefits Summary

## I. Membership

- **Mandatory participating public employers:** All employees of the State of Arkansas, except those who are members of another state retirement system, and all county employees must become members of the system as a condition of employment.
- **Optional participating public employers:** All employees of the following political subdivisions must become members of the system as a condition of employment after the date the employer elects to become a participating public employer.
  - Municipality
  - Rural Waterworks Facilities Board
  - Regional Airport Authority
  - Border Municipal Airport Authority
  - Public Facilities Board
  - Regional Solid Waste Management Board
  - Joint County and Municipal Sanitation Authority
  - Suburban Improvement District
  - Public Water Authority
  - Regional Water Distribution Board

### Participating Employers – New This Quarter

Employer Name	Employer Type	Effective Date	No. of Employees
None			

### Members – New This Quarter

	Oct 2023	Nov 2023	Dec 2023
Number	1054	965	706
Total Active Members	44,308	44,763	44,853

### Members - Historical

	1 year	5 years	10 years	20 years
Number	43,352	46,207	45,707	42,879
Average Pay	\$48,724	\$37,302	\$35,285	\$26,772



Quarterly Board Meeting  
Benefits Summary

## II. Eligibility for Benefits

- **Normal retirement:** Members may voluntarily retire once they attain normal retirement age, which is the youngest of the following ages:
  - Age 65 with at least five (5) years of actual service
  - Any age with 28 years of actual service
  - Age 55 with 35 years of credited service
- **Early retirement:** Members who have not attained normal retirement age may retire with an early annuity, which is reduced by the difference between their age and normal retirement age. Early retirement can begin at the youngest of the following ages:
  - Age 55 with at least five (5) years of actual service
  - Any age with 25 years of actual service
  - Up to 10 years before normal retirement age
- **Disability retirement:** Members with at least five (5) years of actual service who become totally and permanently disabled for any suitable job or position may receive a disability annuity.
- **Survivor retirement:** Survivors of members with at least five (5) years of actual service who die before retirement may receive a survivor annuity. Eligible survivors include a spouse, dependent children, and in some cases, dependent parents.

### Inactive Members – New This Quarter

	Oct 2023	Nov 2023	Dec 2023
Number	109	77	130
Total Inactive Members	15,343	15,420	15,550

### Inactive Members - Historical

	1 year	5 years	10 years	20 years
Number	15,247	13,856	13,267	8,958
Total Benefits	\$93.5m	\$75.1m	\$63.0m	\$37.1m



Quarterly Board Meeting  
**Benefits Summary**

### III. Benefits

- **Refund of contributions:** When members terminate covered service, they can request a refund of their accumulated contributions and interest, which is credited at the rate of two percent (2%).
- **Straight life annuity:** Members who retire receive a straight life annuity equal to a percentage of their final average compensation (FAC) multiplied by the number of years of credited service.
- **Annuity options:** Before members receive their first payment, they can elect to receive the straight life annuity or elect to have their annuity reduced under one of four options that provide continuing benefits to a designated beneficiary.
- **Cost-of-living adjustments:** Each July 1, the system redetermines the amount of each monthly benefit that has been paid for at least twelve months. The amount of the redetermined benefit – a cost of living adjustment (COLA) – is based on the date that the retiree was first hired.
- **Benefit calculation example:** Final Average Compensation X Multiplier X Credited Service  
 $\$48,724 \times 2.00\% \times 17.2 \text{ yrs.} = \$16,761 \text{ annually/ } \$1,396 \text{ monthly}$

**Refunds – New This Quarter**

	Oct 2023	Nov 2023	Dec 2023
Number	244	270	228
Total Benefits	\$1.6m	\$1.8m	\$1.3m

**Retirees – New This Quarter**

	Oct 2023	Nov 2023	Dec 2023
Number	167	140	157
Total Retirees	39,082	39,096	39,132

**Retirees - Historical**

	1 year	5 years	10 years	20 years
Number	42,276	37,398	30,533	18,838
Total Benefits	\$703.5m	\$575.1m	\$426.2m	\$186.0m



Quarterly Board Meeting  
**Benefits Summary**

### IV. Benefit Formula Components

<b>Multiplier</b>	<b>Group</b>	<b>Before July 1, 2007</b>	<b>On or after July 1, 2007</b>
	Non-contributory	1.75%	1.72%
	Contributory	2.03%	2.00%
<b>Final Average Compensation</b>	<b>Group</b>	<b>Before July 1, 2022</b>	<b>On or after July 1, 2022</b>
	All Members	3-year average	5-year average
<b>Credited Service</b>	<b>Group</b>	<b>Service Credit Rate</b>	
	Regular Members	One (1) month for each month of service	
	Local Elected Officials	Two (2) months for each month of service	



## Quarterly Board Meeting

### Executive Report

#### **Annual Comprehensive Financial Report**

The Annual Comprehensive Financial Reports for APERS, ASPRS, and AJRS have been completed. Printed copies are available for your review.

#### **FY23 Legislative Audit**

The FY23 Legislative Audit has been completed and reviewed. There were no audit findings for APERS in FY23. The complete report was mailed to you and is available for your review.

#### **Building Lease and Purchase Options**

Following the November APERS Board meeting, the APERS executive team toured several properties in the Little Rock area to explore the options of purchasing a building to compare with our existing lease and renewal rates.

#### **Education and Outreach**

- **ASPRS Collaborative Training:** APERS joined the Arkansas State Police at Camp Robinson to partner in providing retirement education and counseling from January 2- January 31<sup>st</sup>. Over 500 troopers participated in this collaborative training.
- **Employer Training and Outreach:** APERS conducted an employer outreach survey in November 2023 resulting in partnership with 26 employers to host onsite member education seminars across the state. In addition, APERS staff continues to offer ongoing virtual member education seminars as well as regularly scheduled training with employers.
- **Website Update:** The Public Affairs team continues to work with Tyler Technologies to load APERS, ASPRS, and AJRS content into our new website platform. We anticipate our new improved website will be live by our next board meeting in May. We will be meeting with stakeholder groups in March and April to gather input and make final edits to ensure ease of use for our active members and retirees.
- **APERS Board Reference Manual:** APERS staff have created an APERS Board of Trustees Reference Manual including board rules, board structure and duties, and administrative structure and responsibilities. We will keep this manual updated to assist you as board members and for any new Board of Trustees training.

#### **Staff Training**

The APERS IT department conducted in-house training for staff during December. The training provided insight into Microsoft and Windows navigation and use. The APERS IT department is providing cyber security awareness training for all staff.



## Quarterly Board Meeting

### Executive Report

#### **Operational Improvements:**

- **Return Mail:** APERS Digital Services and the Benefits division are diligently working to implement new processes to ensure effective communication with our members. They have implemented a process to reach members with return mail to ensure we have the right contact information on file for correspondence. This is very important to ensure members are notified of any changes and to ensure member benefits are received by intended recipients. This operational improvement will also assist us in identifying cases where a member is deceased, and we have not been provided with a notice of death.
- **Retirement Support Center:** The APERS Call Center has been re-branded to the Retirement Support Center (RSC) and is now under the Public Affairs department within our Operations Division. We are working with DIS to update our IVR to route calls more appropriately and better serve our members. The RSC will handle all incoming member calls to address questions related to retirement planning. Retiree calls will be routed to retirement counselors to address retiree needs.

## Class Action Settlement Proceeds

<b>Fiscal</b>		
<b>Year</b>		<b>Total Proceeds</b>
2009	\$	2,808,033.51
2010	\$	2,333,548.87
2011	\$	1,222,467.30
2012	\$	734,293.86
2013	\$	501,060.63
2014	\$	1,034,993.49
2015	\$	499,547.35
2016	\$	1,367,167.89
2017	\$	354,154.24
2018	\$	801,714.62
2019	\$	1,442,809.72
2020	\$	1,319,992.13
2021	\$	575,013.13
2022	\$	553,429.10
2023	\$	390,107.88
2024	\$	215,601.34
	\$	<u>16,153,935.06</u>



Claims Filing Deadline Date between 10/02/2023 and 12/29/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
WELLS FARGO & COMPANY	Securities Litigation	N/A	08/18/2023	10/05/2023	02/02/2018	03/12/2020	USD	1,000,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
WELLS FARGO & COMPANY	Securities Litigation	N/A	08/18/2023	10/05/2023	02/02/2018	03/12/2020	USD	1,000,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
NOVA LIFESTYLE, INC.,	Securities Litigation	N/A	10/16/2023	10/07/2023	12/03/2015	12/20/2018	USD	750,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CLOVER HEALTH,	Securities Litigation	N/A	09/11/2023	10/09/2023	10/06/2020	02/03/2021	USD	22,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
THE KRAFT HEINZ COMPANY,	Securities Litigation	N/A	08/22/2023	10/10/2023	11/06/2015	08/07/2019	USD	450,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
THE KRAFT HEINZ COMPANY,	Securities Litigation	N/A	08/22/2023	10/10/2023	11/06/2015	08/07/2019	USD	450,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
22nd Century	Securities Litigation	N/A	09/12/2023	10/10/2023	02/18/2016	07/31/2019	USD	3,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
ATLAS FINANCIAL HOLDINGS, INC., (18CV01640)	Securities Litigation	N/A	08/16/2023	10/10/2023	02/22/2017	04/30/2019	USD	5,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.

Claims Filing Deadline Date between 10/02/2023 and 12/29/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
Imperial Metals Corporation Securities Litigation		N/A	04/21/2023	10/13/2023	08/15/2011	08/04/2014	CAD	6,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
RYANAIR HOLDINGS PLC, Securities Litigation		N/A	09/29/2023	10/17/2023	05/30/2017	09/28/2018	USD	5,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
SeaWorld Entertainment Inc. Fair Fund		N/A	N/A	10/19/2023	12/20/2013	08/12/2014	USD	5,266,679.3100
NO SELECTED ACCOUNTS AFFECTED								
MAXAR TECHNOLOGIES INC Securities Litigation		N/A	09/25/2023	10/20/2023	05/09/2018	10/30/2018	USD	27,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
TALKSPACE, INC., Securities Litigation		N/A	10/09/2023	10/23/2023	06/11/2020	11/15/2021	USD	8,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
3D SYSTEMS CORP., Securities Litigation		N/A	10/24/2023	10/24/2023	05/06/2020	03/05/2021	USD	4,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
COMMUNITY HEALTH SYSTEMS, INC., Securities Litigation		N/A	09/22/2023	10/26/2023	02/21/2017	02/27/2018	USD	9,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
BIOMARIN PHARMACEUTICAL INC, Securities Litigation		N/A	10/18/2023	10/30/2023	03/03/2020	08/18/2020	USD	39,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.

Claims Filing Deadline Date between 10/02/2023 and 12/29/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
BIOMARIN PHARMACEUTICAL INC, Securities Litigation		N/A	10/18/2023	10/30/2023	03/03/2020	08/18/2020	USD	39,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
TUFIN SOFTWARE TECHNOLOGIES LTD Securities Litigation		N/A	11/10/2023	11/03/2023	04/11/2019	12/02/2019	USD	2,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
AAC HOLDINGS, INC., Securities Litigation		N/A	09/27/2023	11/24/2023	03/08/2017	04/15/2019	USD	3,750,000.0000
								NO SELECTED ACCOUNTS AFFECTED
PRECIGEN INC., Securities Litigation		N/A	09/26/2023	11/25/2023	05/10/2017	09/25/2020	USD	13,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
PRECIGEN INC., Securities Litigation		N/A	09/26/2023	11/25/2023	05/10/2017	09/25/2020	USD	13,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
THE GEO GROUP, INC Securities Litigation		N/A	10/17/2023	11/28/2023	11/09/2018	08/05/2020	USD	3,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
PROASSURANCE CORPORATION Securities Litigation		N/A	12/22/2023	11/30/2023	08/08/2018	05/07/2020	USD	28,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED
EROS INTERNATIONAL PLC Securities Litigation		N/A	11/07/2023	12/06/2023	07/28/2017	08/03/2021	USD	25,000,000.0000
								NO SELECTED ACCOUNTS AFFECTED

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.

Claims Filing Deadline Date between 10/02/2023 and 12/29/2023

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
MagnaChip Semiconductor Corporation and Margaret Hye-Ryoung Sakai, CPA, FAIR FUND		N/A	N/A	12/06/2023	02/01/2012	02/12/2015	USD	3,134,999.9900
NO SELECTED ACCOUNTS AFFECTED								
MagnaChip Semiconductor Corporation and Margaret Hye-Ryoung Sakai, CPA, FAIR FUND		N/A	N/A	12/06/2023	02/01/2012	02/12/2015	USD	3,134,999.9900
NO SELECTED ACCOUNTS AFFECTED								
JAGGED PEAK ENERGY INC, Securities Litigation		N/A	11/13/2023	12/12/2023	12/19/2016	07/26/2017	USD	8,250,000.0000
NO SELECTED ACCOUNTS AFFECTED								
NORTHERN DYNASTY MINERALS LTD., Securities Litigation		N/A	11/16/2023	12/14/2023	12/21/2017	11/24/2020	USD	6,375,000.0000
NO SELECTED ACCOUNTS AFFECTED								
ALEXION PHARMACEUTICALS, INC. Securities Litigation		N/A	11/29/2023	12/15/2023	01/30/2014	05/26/2017	USD	125,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
ALEXION PHARMACEUTICALS, INC. Securities Litigation		N/A	11/29/2023	12/15/2023	01/30/2014	05/26/2017	USD	125,000,000.0000
NO SELECTED ACCOUNTS AFFECTED								
Northland Resources S.A. Securities Litigation		N/A	12/30/2022	12/15/2023	04/01/2012	01/23/2013	CAD	7,993,185.0000
NO SELECTED ACCOUNTS AFFECTED								
OCLARO INC Securities Litigation		N/A	12/21/2023	12/21/2023	03/12/2018	12/11/2018	USD	15,250,000.0000
NO SELECTED ACCOUNTS AFFECTED								

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.

**Claims Filing Deadline Date between 10/02/2023 and 12/29/2023**

Class Action Account Number	Account Name	Notice Date Account Open	Exclusion Date Status Date	Claim Due Account Status	Period Begin Claim Status	Period End Comments	Currency * Projected	Gross Settlement Recognized Loss
OCLARO INC Securities Litigation		N/A	12/21/2023	12/21/2023	03/12/2018	12/11/2018	USD	15,250,000.0000
NO SELECTED ACCOUNTS AFFECTED								
EMBARK TECHNOLOGY, INC Securities Litigation		N/A	12/22/2023	12/22/2023	12/23/2020	01/11/2022	USD	2,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								
CELSIUS HOLDINGS INC Securities Litigation		N/A	01/10/2024	12/27/2023	08/12/2021	03/01/2022	USD	7,900,000.0000
NO SELECTED ACCOUNTS AFFECTED								
TARENA INTERNATIONAL INC securities Litigation		N/A	12/28/2023	12/28/2023	08/16/2016	11/01/2019	USD	3,500,000.0000
NO SELECTED ACCOUNTS AFFECTED								

\*Projected Recognized Loss amount is not the final proceeds to be received by the client for the specified class action event/account. It is the potential recognized loss value calculated by BNYM's vendor for class action processing. The Projected Recognized Loss amount is an estimate, and may vary from the final Court approved/analyzed recognized loss proceeds received.



STATE OF ARKANSAS  
**Department of Finance  
 and Administration**

**OFFICE OF THE SECRETARY**  
 1509 West Seventh Street, Suite 401  
 Post Office Box 3278  
 Little Rock, Arkansas 72203-3278  
 Phone: (501) 682-2242  
 Fax: (501) 682-1029  
 www.arkansas.gov/dfa

**MEMORANDUM**

**TO:** All State Agencies, Boards and Commissions,  
 and Institutions of Higher Education

**FROM:** Larry W. Walther, Secretary *Larry W. Walther*

**SUBJECT:** Rate of Mileage Reimbursement for Use of Privately-Owned  
 Motor Vehicles on Official Business of the State

**DATE:** March 17, 2022

Effective immediately, due to the increasing gas prices, the maximum authorized State rate of mileage reimbursement for the use of privately-owned motor vehicles on official business of the State will be **temporarily** increased to fifty-two (52) cents per mile. Reimbursement for travel performed on or after March 17, 2022, is authorized at the new temporary rate of fifty-two (52) cents per mile until further notice. Reimbursement for any travel before March 17, 2022, is authorized at the rate of forty-two (42) cents per mile.

The Office of Accounting will continue to monitor average gasoline prices and the reimbursement rate will be re-evaluated for possible reduction when the average gasoline price declines below \$3.50 per gallon.

It is the responsibility of the agency director to ensure that their agency budget is sufficient to fund this increase in mileage reimbursement. The agency director may authorize reimbursement for the use of privately-owned automobiles at amounts less than the authorized State maximum rate if the agency budget is insufficient to fund the increase in rate. If your agency decides to reimburse at a rate less than fifty-two (52) cents per mile, please notify your DFA Budget Analyst before implementation of the rate increase.

If you have any questions, please contact the Office of Accounting at 501 682-1675.

LWW: pl

# 2020 Arkansas Code

## Title 25 - State Government

### Chapter 16 - State Officers

#### Subchapter 9 - State Boards — Compensation

#### § 25-16-902. Expense reimbursement

**Universal Citation:** AR Code § 25-16-902 (2020)

(a) Every state board may, by a majority vote of the total membership of the board cast during its first regularly scheduled meeting of each calendar year, authorize expense reimbursement for each board member for performing official board duties.

(b) The expense reimbursement shall not exceed the rate established for state employees by state travel regulations.



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